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# FINANCIAL TIMES

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**FEB**

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## NEWS SUMMARY

### GENERAL

#### Smith heads new team

A transitional multi-racial Government designed to bring black majority rule in Rhodesia by the end of the year was sworn in yesterday by the Rev. Patrick Mureinagomo, the black suffragan Anglican Bishop of Mashonaland.

Leadership of the Government will rotate every four weeks. Mr. Ian Smith was chosen as first chairman after he had drawn lots with three black nationalist leaders.

He is to be followed by Chief Chirau, the Rev. N. Sithole and Bishop Muzorewa in that order.

In Dar-es-Salaam, Mr. Andrew Young, the U.S. ambassador to the U.N., said he hoped the next 30 days would see the creation of a plan of action on international acceptable political settlements in Rhodesia and Namibia (South West Africa).

In New York, the ABC television network, reported that a large build-up of Soviet weapons was under way in Mozambique.

Back and Page 2

#### Storms postpone tanker drainage

Hampered by storms and the imminent threat of spring high tides French and British naval vessels fought to limit the ecological disaster caused by oil pollution from the wrecked super-tanker Amoco Cadiz, as French Maritime HQ reported that no start had been made on emptying the ship before the end of the week. Back and Page 2.

From Cape Town it was reported that oil had spilled on to South African beaches from the 35,546-ton Pantalis A. Lemos which is aground nearby.

#### Ulster setback

Talks due to take place to-morrow between Mr. Roy Mason, Northern Ireland Secretary, and Irish Cabinet Ministers, have been postponed because of the death yesterday, at the age of 67, of Mr. Connaught O'Donnell, former President of the Irish Republic. Back Page

#### Jail blaze probe

Prisoners are to be interviewed in an attempt to find out the cause of the blaze which swept through Chelmsford jail, Essex, on Monday night and led to the transfer of 219 inmates to other jails.

#### Michelin Guide

The Michelin Red Guide to Great Britain and Ireland has extended its coverage to moderately priced restaurants and hotels. Out of 450 entries in the 1978 edition are more than 400 hotels and restaurants in this category.

#### on of Chiang

Chiang Ching-kuo, son of Chiang Kai-shek, was elected president of Taiwan, the State founded by his father almost 30 years ago.

#### Seasonal cheer

Now and ice returned to the north of England and parts of Scotland yesterday—the first day of Spring. Recent bad weather given a boost to Easter holidays in the sun, tour operators noted.

#### Chiefly ...

A girl, aged two, has been found in a Yorkshire hospital after being found by a dog in a field near Bettle, Central Lancashire.

Archway Road, London, imminent scheme public inquiry has been abandoned, the Council were told.

Skiers were feared dead after being swept away by an avalanche near the Great St Bernard Pass in Switzerland.

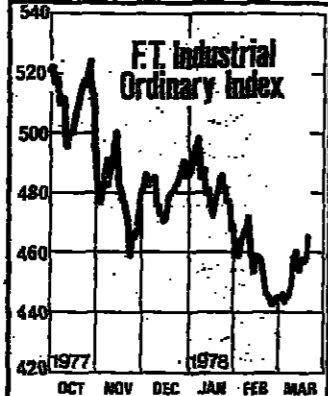
Polish yachtswoman has been the first woman to sail round the world, as reported in Warsaw.

India has been offered film of the Commons were told.

### BUSINESS

#### Equities up 7.7; Gold falls further

EQUITIES took a distinct turn for the better on optimism about the Budget and on sympathetic response to the Government.



The report's basic message is that Britain's gloomy employment prospects mean that there can be no further major immigration. It says the Government must respect undertakings already given but control of "secondary" immigration by dependants and of illegal entry should be tightened.

The report is likely to help the Conservatives, who this week-end will be finalising their own scheme to limit immigration.

Conservative spokesmen last night welcomed the report findings but the Government and most Labour MPs were very cautious — and the Liberals scathingly critical.

Of the 29 recommendations agreed by the committee of five Labour and five Conservative MPs, the most important are:

● Better Home Office statistics on present and future immigration.

● The number of adults out of work in the U.K. fell by 9,000 in the month to mid-March to 1.4m, seasonally adjusted, according to Department of Employment figures published yesterday.

The proportion of the workforce unemployed was unchanged at 5.9 per cent.

Since last September, the number out of work has fallen by 34,900, an average fall of 5,800 a month. The small figures involved are an additional reason for caution. The total is still 50,000 higher than 12 months ago.

The most encouraging indicator is the rise in notified vacancies. These have gone up by 3,800 to 185,500, seasonally adjusted, the highest since February, 1975, when 189,000 vacancies were notified. Since last September, the number of vacancies has increased by 41,100.

The figures resemble the experience of the 1976-77 winter, when there was a fall in unemployment, followed by a rise.

Of 643,000 looking for jobs after the 1976-77 academic year, 55 per cent were employed by the following March, while 94 per cent of the 663,000 who left after 1976-77 are now working.

The unadjusted unemployment total in the U.K., including school-leavers, fell by 47,700 to 2,460m in the month to mid-February. The total for Great Britain fell 46,880 to 1,400m.

Map, Page 9

● GUERNSEY'S banking industry pre-tax profits rose from £3.75m. in 1973 to an estimated £11m. last year. Page 7

● IRELAND'S 1978 National Wage Agreement, which proposes an average 8 per cent increase, is likely to be rejected by the Irish TUC meeting tomorrow. Page 2

#### COMPANIES

● IMPERIAL GROUP chairman has forecast an "appreciable decline" in first half profits, as trading results for the first three months were lower than in the comparable period of 1977. Page 24

● LONDON SUMATRA, to back up its rejection of the McLeod Pipefit bid, has revealed an unprecedented amount of information, including a £30.5m. independent valuation of its Indonesian estates. Page 26

● SEARS ROEBUCK, the largest U.S. store chain, reports lower fourth quarter earnings of \$251.5m. (\$312.7m.). Retail stores chains in the U.S. reported record figures for the period. Page 28

## Immigration row flares as MPs call for quotas

BY RUPERT CORNWELL, LOBBY STAFF

The controversy over immigration flared again last night after an all-party group of MPs issued a unanimous call for stiffer curbs, including what amounts to a formalised quota system to govern entry from the Indian sub-continent.

The report, from the 10-man Select Committee on Race Relations and Immigration, was finalised amid open party warfare at Westminster. In spite of the committee's overwhelming desire to present a united front, there was widespread astonishment last night that Labour MPs had been able to lend their names to such stern proposals.

The report's basic message is that Britain's gloomy employment prospects mean that there can be no further major immigration. It says the Government must respect undertakings already given but control of "secondary" immigration by dependants and of illegal entry should be tightened.

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Of the 29 recommendations agreed by the committee of five Labour and five Conservative MPs, the most important are:

● Better Home Office statistics on present and future immigration.

The absence of reliable figures damages race relations, would be misleading to suggest otherwise.

● A crackdown on illegal immigrants. Social security checks should be enforced, and no more amnesties granted.

● An independent inquiry to see if internal controls, along the level of immigration "and it

With its acceptance of a quota system, the committee backs what is likely to be a key theme of the Tory package, although its ten MPs are divided over the desirability of a register of dependants.

The Conservative proposals may be published in about a fortnight. They are likely to echo the report's stand on priority for wives and young children. But the suggestion of internal controls is too much for the Tories to accept.

Secretary, warned yesterday that such a measure would have implications well beyond immigration controls.

He promised to see whether extra figures on immigration could be provided, and reiterated the Government's determination to stand by earlier commitments.

In any case, primary immigration "as we have known it since the war" had ended, and the overriding need was for good race relations, he said.

Mr. William Whitelaw, Tory Home Affairs spokesman, welcomed the report as "constructive" and said there was a significant change in

Continued on Back Page

## Unemployment down for sixth month running

BY DAVID FREUD

ADULT UNEMPLOYMENT has fallen for the sixth consecutive month to mid-March, although the jobless total is still the highest for any March since the war.

At the same time notified vacancies have continued to rise and are at the highest level for three years.

Whitehall officials are puzzled by the figures, which are in apparent contradiction to the stagnant or declining trend for industrial output. For this reason they are reluctant to take the improvement as evidence of a turning point.

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## Special N. Sea oil fund rejected

BY RICHARD EVANS, LOBBY EDITOR

THE GOVERNMENT proposes to channel the revenue from North Sea oil into four key areas, including industrial regeneration. There is to be no special oil fund, as urged by the Left wing of the Labour Party and some others. Instead, Parliament will receive an annual report on the use of the money.

These are the long-awaited White Paper on oil revenues published yesterday, which sets out to show how the Government intends to use the "unique opportunity" which it is estimated will give an Exchequer yield from North Sea oil and gas of

around £4bn. in the mid-1980s. The White Paper, which contains itself more to listing options available than to planning.

Details, Page 6  
Parliament, Page 10  
Editorial comment, Page 22

ing for specific priorities, shows that Mr. Denis Healey, Chancellor, has won decisively his Cabinet argument with Mr. Anthony Wedgwood Benn, Energy Secretary, on the handling of oil revenues.

It is also evident that with an election in prospect, Ministers see the document as a potential vote-winning package and elaborate preparations were made for its launching by the Prime Minister, flanked at a Press conference by Mr. Healey, Mr. Benn and Mr. Bruce Millan, Scottish Secretary.

In spite of the White Paper's general lack of precision about how the oil revenues would be spent, it does include various policy proposals favoured by the Left-wing of the Labour movement and by trades unions. These include planning agreements, industrial democracy, a moderately interventionist role

Continued on Back Page

### CONTENTS OF TO-DAY'S ISSUE

European news	2	Technical page	11	Int'l. Companies	29-30-31
American news	3	Management page	12	Euro-markets	28
Overseas news	4	Arts page	21	Wall Street	27
World trade news	5	Leader page	22	Foreign Exchanges	27
Home news—general	6-7	U.K. Companies	24-26	Farming, raw materials	32
—Labour	9	Mining	26	U.K. stock market	33
—Parliament	10				

Steel axe over Welsh employment	22	New York City's No. 2 job	4	FT SURVEYS	
Flaws in UN's company disclosure plans	23	Civil Service fights battle of the bulge	12	Foundries	14-15
Euzema: No Win's trust	3	Kuala Lumpur-Kepeng: Policy pays off	30	Multi-bank consortia	33-37

Appointments	7	Men and Masters	22	ANNUAL STATEMENTS	
Births, Deaths, Marriages	23	Money Market	23	Amalgamated	29
Deaths	24	Share Information	40-41	Edinburgh Assn. Am.	28
Deaths	25	Share Information	40-41	Essex Water Co.	28
Deaths	26	Share Information	40-41	Essex Holdings	28
Deaths	27	Share Information	40-41	Essex Holdings	28
Deaths	28	Share Information	40-41	Essex Holdings	28
Deaths	29	Share Information	40-41	Essex Holdings	28
Deaths	30	Share Information	40-41	Essex Holdings	28
Deaths	31	Share Information	40-41	Essex Holdings	28
Deaths	32	Share Information	40-41	Essex Holdings	28
Deaths	33	Share Information	40-41	Essex Holdings	28
Deaths	34	Share Information	40-41	Essex Holdings	28
Deaths	35	Share Information	40-41	Essex Holdings	28
Deaths	36	Share Information	40-41	Essex Holdings	28
Deaths	37	Share Information	40-41	Essex Holdings	28
Deaths	38	Share Information	40-41	Essex Holdings	28
Deaths	39	Share Information	40-41	Essex Holdings	28
Deaths	40	Share Information	40-41	Essex Holdings	28
Deaths	41	Share Information	40-41	Essex Holdings	28
Deaths	42	Share Information	40-41	Essex Holdings	28
Deaths	43	Share Information	40-41	Essex Holdings	28
Deaths	44	Share Information	40-41	Essex Holdings	28
Deaths	45	Share Information	40-41	Essex Holdings	28
Deaths	46	Share Information	40-41	Essex Holdings	28
Deaths	47	Share Information	40-41	Essex Holdings	28
Deaths	48	Share Information	40-41	Essex Holdings	28
Deaths	49	Share Information	40-41	Essex Holdings	28
Deaths	50	Share Information	40-41	Essex Holdings	28
Deaths	51	Share Information	40-41	Essex Holdings	28
Deaths	52	Share Information	40-41	Essex Holdings	28
Deaths	53	Share Information	40-41	Essex Holdings	28
Deaths	54	Share Information	40-41	Essex Holdings	28
Deaths	55	Share Information	40-41	Essex Holdings	28
Deaths	56	Share Information	40-41	Essex Holdings	28
Deaths	57	Share Information	40-41	Essex Holdings	28
Deaths	58	Share Information	40-41	Essex Holdings	28
Deaths	59	Share Information	40-41	Essex Holdings	28
Deaths	60	Share Information	40-41	Essex Holdings	28
Deaths	61	Share Information	40-41	Essex Holdings	28
Deaths	62	Share Information	40-41	Essex Holdings	28
Deaths	63	Share Information	40-41	Essex Holdings	28
Deaths	64	Share Information	40-41	Essex Holdings	28
Deaths	65	Share Information	40-41	Essex Holdings	28
Deaths	66	Share Information	40-41	Essex Holdings	28
Deaths	67	Share Information	40-41	Essex Holdings	28
Deaths	68	Share Information	40-41	Essex Holdings	28
Deaths	69	Share Information	40-41	Essex Holdings	28
Deaths	70	Share Information	40-41	Essex Holdings	28
Deaths	71	Share Information	40-41	Essex Holdings	28
Deaths	72	Share Information	40-41	Essex Holdings	28
Deaths	73	Share Information	40-41	Essex Holdings	28
Deaths	74	Share Information	40-41	Essex Holdings	28
Deaths	75	Share Information	40-41	Essex Holdings	28
Deaths	76	Share Information	40-41	Essex Holdings	28
Deaths	77	Share Information	40-41	Essex Holdings	28
Deaths	78	Share Information	40-41	Essex Holdings	28
Deaths	79	Share Information	40-41	Essex Holdings	28
Deaths	80	Share Information	40-41	Essex Holdings	28
Deaths	81	Share Information	40-41	Essex Holdings	28
Deaths	82	Share Information	40-41	Essex Holdings	28
Deaths	83	Share Information	40-41	Essex Holdings	28
Deaths	84	Share Information	40-41	Essex Holdings	28
Deaths	85	Share Information	40-41	Essex Holdings	28
Deaths	86	Share Information	40-41	Essex Holdings	28
Deaths	87	Share Information	40-41	Essex Holdings	28
Deaths	88	Share Information	40-41	Essex Holdings	28
Deaths	89	Share Information	40-41	Essex Holdings	28
Deaths	90	Share Information	40-41	Essex Holdings	28
Deaths	91	Share Information	40-41	Essex Holdings	28
Deaths	92	Share Information	40-41	Essex Holdings	28
Deaths	93	Share Information	40-41	Essex Holdings	28
Deaths	94	Share Information	40-41	Essex Holdings	28
Deaths	95	Share Information	40-41	Essex Holdings	28
Deaths	96	Share Information	40-41	Essex Holdings	28
Deaths	97	Share Information	40-41	Essex Holdings	28
Deaths	98	Share Information	40-41	Essex Holdings	28
Deaths	99	Share Information	40-41	Essex Holdings	28
Deaths	100	Share Information	40-41	Essex Holdings	28

For latest Share Index 'phone 01-945 8025



President Carter welcomes Mr. Begin to the White House.

## Carter-Begin talks open

BY DAVID BELL

WASHINGTON, March 21.

PRESIDENT CARTER warned hours of talks which are to be followed this evening by a private dinner.

The U.S. is expected to resist Israel's attempts to make the events. He made it clear that the U.S. believes that responsibility for preventing the complete collapse of current peace moves now rests with Israel.

Half-an-hour after the leaders' first meeting, a ceasefire declaration was issued by Israel, which was supposed to have come into force.

The announcement was timed to coincide with the opening of the talks.

In New York, UN officials said that an advance copy of the UN announcement of an order issued by Mr. Ezer Weizman, Minister of Defence, for a cessation of hostilities, Israeli artillery was shelling heavily the port of Tyre.

There was no indication that troops of the 20,000-man invading force were preparing to withdraw.

While in the area yesterday, I saw Israeli howitzers unleash a bombardment on Tyre which at times was intense. The activity seemed in contrast to the statement by the military spokesman in Tel Aviv to-day that there had been only sporadic shooting against isolated pockets.

## EUROPEAN NEWS

# Accord over major loan to Turkey by IMF reported

BY DAVID TONGE

MR. ZIYA MUEZZINOGLU, the Turkish Finance Minister, yesterday flew from Ankara to Washington amid reports that Turkey has finally reached a major loan agreement with the International Monetary Fund.

Such an agreement could herald the way to a recovery of the Turkish economy and an ending of the grave foreign exchange problems which have brought many imports and local industries to a halt. A group of foreign bankers have told the Turkish Government that as soon as the agreement is certain they will make immediate fresh credits to Turkey.

Turkish finance ministry officials said today that the IMF has agreed to grant Turkey \$450m. of credits. This is a higher figure than had been discussed during the negotiations with the Demirel Government which fell just before the New Year.

The Finance Minister had been due to travel to Washington last week but apparent problems over the letter of intent led to that trip being postponed.

The Ecevit Government has accepted dealing the lira and trade deficits.

Turkey has made no payment for normal imports since February 1977, and has fallen behind in payment of a wide range of obligations. However, though its arrears are huge, its actual cash requirements are considerably lower, one leading banker dealing with Turkey explains. He argues that many of Turkey's debts can be rescheduled.

The banker says that an immediate short-term credit of around \$250m. has been discussed by the group, with this to be incorporated in a medium-term credit of around \$600m.

# Costs mount in strike of German metalworkers

BY JONATHAN CARR

BONN, March 21.

THE STRIKE of metalworkers in one key region of West Germany goes into its second week tomorrow with the costs of the dispute mounting and no early accord in sight.

The employers side today estimated that the stoppage was costing the metalworking industry throughout the country roughly DM150m. daily in lost turnover.

At present the strike is only underway in selected parts of the area of North Westphalia—North Baden, where more than 600,000 metalworkers are employed. But companies based there and affected by the stoppage are having to lay off workers in their factories elsewhere in the Federal Republic.

Daimler-Benz, for example, has introduced short-time work for around 1,000 employees in its Berlin works alone. Volkswagen has said it may have to halt only in the metalworking production at some of its factories by month's end if components from the strike-hit region are not forthcoming.

The union, IG-Metall, faces increasing expense, too, in pay both for its members who are on strike and for others who have been locked out by the employers. One estimate suggests the union's bill will top DM150m. if the dispute goes on past the Easter period.

Thus for reasons of cost alone both sides are under pressure to seek a settlement. But efforts to resolve the dispute last week-end broke down and there has been no firm move yet to hold further talks.

The union began by demanding an 8 per cent wage increase while the employers offered less than half that. The gap has narrowed, but the issue is also complicated by union demands on job security and pay group classification. The outcome of this regional dispute will set a signal for the whole country, not only in the metalworking industry, but in other only distantly related fields too.

# Portugal gets NATO aid

BY JIMMY BURNS

LISBON, March 21.

WEST GERMANY has delivered 18 "M48A5" tanks as part of an overall military assistance programme promised by the NATO powers to bolster Portugal's military presence on the southern flank, and make her 4,500-man NATO brigade fully operational by 1980.

Meanwhile, military sources here have confirmed that Portugal is currently considering a British offer of further military equipment, including scout cars and light artillery.

West Germany has already contributed 40 G81 jet fighters to Portugal's NATO force, and a number of its military advisers have helped the Portuguese set up the Santa Margarida military base north of Lisbon where the brigade is centred.

The United States has so far contributed five tanks of the same type as that donated by the West Germans, in addition to 56 armoured personnel carriers. It has also pledged an unspecified number of C-130 transport aircraft.

Britain along with other NATO countries mainly contributed to the overall re-training of the brigade by providing badly needed staff courses for Portuguese military officers. Military aid offered by the major NATO powers meets the wish of President Eanes that Portugal should be treated as a full and equal partner within the NATO alliance.

# Spain farm price accord

BY ROBERT GRAHAM

MADRID, March 21.

AFTER a session lasting until early this morning, representatives of the various Spanish farmers' associations have reportedly agreed on an average 16 per cent price increase for 1978 for the 18 essential commodities that are Government controlled.

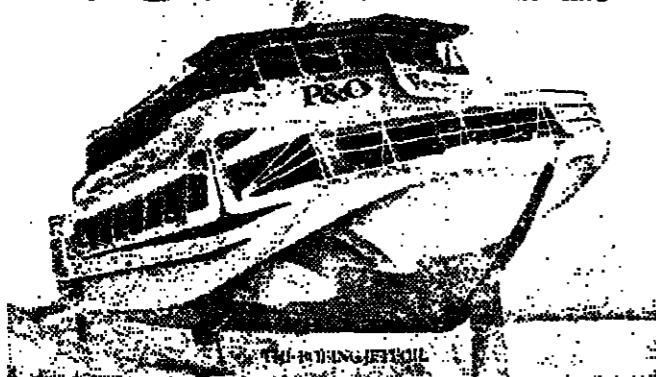
However, there has still been no agreement on the specific price of two of these commodities, wine and milk.

The new levels apply to farm gate prices; thus the increase paid by the consumer, if they reflect the pattern of previous years, will be higher. Indeed, economists fear the new price increases will hinder Government attempts to reduce inflation to 17 per cent this year.

The negotiations have proved extremely complex, not least because of the number of organisations involved. They have also brought into the open the deep discontent among farmers, over the level of farm gate prices, over the poor returns on investment, and over low wages and the alarming rate of unemployment, especially in the south of Spain.

This discontent has been evidenced by large scale demonstrations by farmers in Galicia, in Andalusia, and in Valencia. It seems the Government had hoped to try to negotiate an agreement that resulted in a substantially lower overall increase. But the new prices of some of the items released unofficially today suggest that in the past five days, the Government has come some way to meeting the producers' demands. However, one of the farmers' organisations originally sought an average increase of almost 30 per cent.

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# Swedish finance for Norwegian oil field

By William Duffell

STOCKHOLM, March 21.

SVENSKA PETROLEUM (SP), the Swedish State oil company, is to provide up to \$100m. for the development of the Norwegian offshore oil field. In return, it will be assured of "crude oil supplies from the field and Torfields and be able to take part in future prospecting on the Norwegian continental shelf.

Although the amount is small compared with Sweden's annual import of close to 30m. tonnes, the agreement announced today represents a breakthrough for the Swedes as the first to guarantee them access to Norwegian oil.

Under the preliminary agreement with the private Norwegian oil company NOCO in return for the \$100m. loan, SP will be able from 1979 to buy at market prices NOCO's share of the crude oil production from the Tor and Valhall fields. This is expected to total some 6m. tonnes.

The Swedish company will also get an option to participate in any future projects in the Norwegian blocks 2/5 (part of the Tor field), 2/8 (Valhall) and 2/11 (the 2nd field). It also wins the right to take a 10 per cent share in block 2/9, where prospects of a new discovery are thought to be good.

The agreement is provisional on acceptance by NOCO's partners in the Amoco/NOCO group and by the Swedish and Norwegian governments. SP will raise its \$100m. by borrowing on the international market with a state guarantee.

Both Tor and Valhall are being developed in association with the Ekofisk field operated by Phillips. The oil and gas from these fields will be pumped through the Ekofisk pipeline to Teesside and Emden. Production from Tor, which is estimated to have recoverable reserves of 25m. tonnes of oil and 600bn. cubic feet of gas, is due to start next month.

Recoverable reserves in Valhall are put at 60m. tonnes of oil and 1.3bn. cubic feet of gas. Initially, only the "A" structure containing 33m. tonnes of oil and 700bn. cubic feet of gas will be developed at a total cost of \$850m. Production is scheduled to start in 1981 and build up to a rate of 100,000 barrels a day.

NOCO, a consortium of 19 Norwegian shipping, industrial and insurance companies, was the first to acquire the Ekofisk field, in which its members now hold 43 per cent of the stock. It is part of the Amoco/NOCO group, which in addition to Amoco comprises Amerasia Petroleum and Texas Eastern.

This group has rights in five blocks east of Ekofisk, including the Tot, Valhall, Hod and south-east Tor fields. NOCO owns about 4 per cent of the Tor field and 15 per cent of Valhall.

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NOCO, a consortium of 19 Norwegian shipping, industrial and insurance companies, was the first to acquire the Ekofisk field, in which its members now hold 43 per cent of the stock. It is part of the Amoco/NOCO group, which in addition to Amoco comprises Amerasia Petroleum and Texas Eastern.

This group has rights in five blocks east of Ekofisk, including the Tot, Valhall, Hod and south-east Tor fields. NOCO owns about 4 per cent of the Tor field and 15 per cent of Valhall.

# Extremists accused over Greek demo

The Greek Ministry of Public Order has accused extremists belonging to left-wing organisations of having instigated Monday's demonstrations in Patras, north-western Peloponnese, during which 53 people were injured.

An Athens Correspondent writes: The Ministry said that about 350 extremists initiated a student demonstration for reforms in the educational system of Patras University. The clashes occurred when the demonstrators defied a police ban to march through the city's streets.

# Clashes in Jordan over PLO

AMMAN, March 21. JORDANIAN POLICE and army forces clashed today with groups of young Palestinian demonstrators throughout Amman who were showing their support for Palestinian and Lebanese forces fighting the Israeli army in South Lebanon.

Shouting slogans against King Hussein of Jordan and President Hafez Assad of Syria, the groups of hundreds of Palestinians were dispersed by Jordanian army and security forces, who sometimes had to shoot in the air, as they did yesterday in similar circumstances.

Security has been stepped up visibly in many parts of the Jordanian capital which is nearly three-quarters Palestinian in its population. The Jordanian Government yesterday issued a statement, at the end of which it said that the strongest possible measures would be used to put down any demonstrations.

In Kuwait, two Palestinian commando leaders said in interviews published today that the guerrillas would not surrender in the face of Israel's invasion of southern Lebanon.

Mr. Mr. Salam Khalaf, leader of the biggest commando group Fatah, was quoted in a Kuwaiti newspaper as saying the deployment of UN forces would not hamper commando movements. Reuter adds.

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# Portsall village: no fish, but the oil is free

BY MARK WEBSTER

BREST, March 21.

THE PICTURE BOOK Breton village of Portsall, had never known such a tourist boom. Car loads of people, with the regulation white-haired grandmothers in the back seat, blocked the roads for miles around.

Normally, visitors come in the summer to look at the picturesque church or to eat at the excellent fish restaurant. Now the owner of the restaurant has put up a new sign. "No fish," it says, "but the oil is free."

Portsall has dubbed itself the "driest village in the world" since the oil tanker Amoco Cadiz ran aground nearby in stormy weather just after midnight last Thursday.

The police have now thrown a cordon around the village because of the number of people who have begun to hammer the rescue operations and the massive clean-up. The tanker still sits majestically immobile only two miles from the shore. The sight is impressive but the smell is appalling.

Hydrocarbons from the stricken vessel can be smelled by the sea breeze. Local farmers have harvested their vegetables prematurely because everything the sea touches becomes tainted with the taste of oil.

The Breton coast relies for a significant part of its income upon tourism and fishing. These have been the biggest victims of the tanker disaster. In Portsall alone, 200 of the winter population of only 1,200 rely on fishing for the major part of their income.

During the summer months, the population of the village swells to nearly 5,000 because of the large number of people with second homes in the area. In addition, there are numerous guest houses which regularly welcome hundreds of holiday-makers from the cities.

The deputy mayor of the village, Mr. Jules Legendre, came straight to the point: "We're ruined. The mainstay of the village economy is fishing and the tourists. Nothing is being done, water level sinks at low tide. The oil settles on the shellfish and they are no longer able to breathe. By the time the sea is sucking oil from the surface of the harbour to take it to Brest for refining."

"It's a joke! A bad joke. One day we have a beautiful place to live, a job and everything. The next, we have this filthy black muck..."

Most of the villagers tend to blame the Government because the Socialists have long had a stranglehold on the area. But experts on the scene insist that the damage is more visual than fundamental. A spokesman for the French maritime authorities has claimed that so far little lasting damage has been done to aquatic life in the area.

The insurers of the oil company have to pay compensation to the fishermen for loss of earnings. Hundreds of them have handed in their fishing licences to the authorities in Brest as a protest at what they consider an act of unfairness by the authorities to bear the oil pollution.

However, as the senior Naval officer, Admiral Jacques Coullon, said today, there are two ways of tackling the problem. One is to pull out all the stops immediately and the second is

to wait until the pollution has done its worst before trying to tackle the problem.

The French Government, following the latter course on the advice of environmentalists who have said that repeated scraping of the beaches might do more damage than leaving the oil until it was possible to do one final clean-up.

For the time being, the highly probable and well-developed fishing industry in the Bay of Brest has not been affected. The Bretons say that since most of the trout and salmon along the shoreline are kept in pens, it is unlikely that, even if oil did seep into the bay, that permanent damage would be done.

One of the French pollution experts has even gone so far as to say that he would not be a bottle of champagne that it will be possible to swim in the sea (even near the coast at Portsall) in June.

The villagers are not so sure. The atmosphere in Portsall is rather like a closed room containing a faulty paraffin heater. The villagers are already complaining of headaches. "How do you get compensation for something you can't prove," one of them asked.

Earlier this month, Italy also repaid some \$350m. to the International Monetary Fund (IMF), and a further \$500m. to the Bundesbank. There was also a \$31m. repayment of a \$1.7bn. IMF "oil facility" drawn by the Italian Government.

The Bank of Italy's total foreign indebtedness now stands at some \$5.8bn. while the country's commercial banking system's foreign debt at the end of February totalled \$5.5bn. Italy's overall foreign debt repayment bill in 1978 amounts to \$3.5bn., with some \$1.2bn. already paid back this year.

An IMF team is scheduled to visit Rome in May to review Italy's commitments agreed last April in a letter of intent at the time of a further Italian drawing of some \$500m.

The IMF, however, is understood to have indicated, privately at least, that Italy's enlarged public sector deficit in 1978 could exceed the original letter of intent guidelines as long as it was contained in the region of L24,000bn. This is precisely the figure provided for in the new Italian Government's revised 1978 budget which must be approved in Parliament before the end of April.

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# Gaullists insist on independence

BY DAVID CURRY

PARIS, March 22.

CONFIRMATION, if any was needed, that the next French Government is going to have to cope with severe tensions between the parties supporting it in Parliament, has come within two days of the final voting in the general election.

The Gaullist Party, which was given an official score of 145 seats by the Ministry of the Interior (under the Centrist M. Christian Bonnet), has already acted to mark its distance from the Government.

The party executive has decided that any party member who joins the Government will have to abandon any party function. This means that Gaullist Ministers will not be able to commit the movement as a whole to support official policies, and will free the party leadership to spell out its own policy on important issues.

It will also enable the Gaullist Party to construct an independent platform to launch its leader, Mr. Jacques Chirac, on an eventual bid for the Presidency in 1981.

Irritated at the attempts to brand the Gaullists as the party of reaction, M. Chirac shows signs of wanting to outbid the Centrist UDF Alliance in the reform stakes. He has repeated over the past few weeks his insistence on a new economic policy "aimed at a return to full employment, implying a strong dose of inflation, a 'new social policy' based on worker participation and more 'generous' treatment of the less well-off."

He has also renewed such familiar populist themes like an anti-bureaucracy crusade and greater respect for law and order, the State and the family and warned that his party will tolerate no attempt to introduce a constitutional revision at local or national level.

He has hinted that if the party leader wishes to stop the Government from following party change, he will support the party's programme of the Left is a dead duck. He is suggesting the party designate its candidate for the Presidential elections as early as 1979. At the moment it is difficult to see how this could be anyone other than himself.

M. Raymond Barre, the Prime Minister, went to the Elysee to see President Giscard d'Estaing this morning, but no hint of what was discussed has emerged.

The Gaullists are experiencing tensions within their own party following the election defeat. The national executive issued a statement bitterly criticising the Communists at the end of yesterday's meeting when it was decided to hold a special congress at the end of April.

But the Left-wing Ceres Group in the Party, about a quarter of the membership refused to endorse the statement, largely because they think the Party is too anxious to ditch the Communists programme of the left. Ceres also has always been the most enthusiastic supporter of the attempt to introduce a constitutional revision at local or national level.

Mr. Francois Mitterrand, the party leader, wishes to stop the Government from following party change, he will support the party's programme of the Left is a dead duck. He is suggesting the party designate its candidate for the Presidential elections as early as 1979. At the moment it is difficult to see how this could be anyone other than himself.

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# Italy repays first part of EEC loan

ROME, March 21. ITALY has repaid on schedule the first tranche of a \$348.0m. of a European community \$1.4bn. loan negotiated in 1974, so reducing its total foreign debts, including that of the commercial banking system, to \$17.7bn. compared to \$19.7bn. at the end of last year.

Earlier this month, Italy also repaid some \$350m. to the International Monetary Fund (IMF), and a further \$500m. to the Bundesbank. There was also a \$31m. repayment of a \$1.7bn. IMF "oil facility" drawn by the Italian Government.

The Bank of Italy's total foreign indebtedness now stands at some \$5.8bn. while the country's commercial banking system's foreign debt at the end of February totalled \$5.5bn. Italy's overall foreign debt repayment bill in 1978 amounts to \$3.5bn., with some \$1.2bn. already paid back this year.

An IMF team is scheduled to visit Rome in May to review Italy's commitments agreed last April in a letter of intent at the time of a further Italian drawing of some \$500m.

The IMF, however, is understood to have indicated, privately at least, that Italy's enlarged public sector deficit in 1978 could exceed the original letter of intent guidelines as long as it was contained in the region of L24,000bn. This is precisely the figure provided for in the new Italian Government's revised 1978 budget which must be approved in Parliament before the end of April.

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# Soviet novelist afraid to travel

BY DAVID SATTER

MOSCOW, March 21.

WITH PRESSURE on politically suspect Soviet cultural figures to leave the Soviet Union is increasing markedly, Mr. Vladimir Voinovich, the Soviet novelist, said today he was turning down invitations to lecture in the West to forestall the possibility of being deprived of his citizenship while abroad.

Mr. Voinovich's decision came in response to Soviet actions in the last two weeks to deprive of their citizenships Matiasl Rostropovich, the cellist, his wife soprano Galina Vishnevskaya, and former Red Army General Pyotr Grigorenko. All three had been associated with dissident activities and were stripped of their citizenship while abroad.

Mr. Voinovich, whose novel "The Adventures of Private Chonkin" has won wide praise in the West, received invitations from, among other places, Columbia University in New York and the British National Book League, but he said the actions of the Soviet authorities convinced him that "any trip of my own would be the same as voluntary exile."

Mr. Rostropovich and Miss Vishnevskaya were deprived of their citizenship for "unpatriotic activity" in a move which shocked members of Moscow's literary community who had thought the two protected by their artistic prominence. Gen. Grigorenko, a long time Soviet human rights campaigner, was stripped of his citizenship for actions which damaged the Soviet Union's prestige.

Mr. Voinovich told Western correspondents that he has also sent a letter to Mr. Nikolai Shchelokov, the Soviet Interior Minister, protesting about what he said was harassment directed against him by police in the town of Ordzhonikidze who told his elderly father that he was missing and feared dead. He said that after hearing this, his ill mother died.

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## OVERSEAS NEWS

## Vietnam air corridor to reopen

The skies of Indo-China will reopen officially to international air traffic tomorrow for the first time since the end of the Vietnam war almost three years ago, Reuter reports from Bangkok.

Aircraft of about 10 Western and Asian Airlines will start flying a direct route between Bangkok and Hong Kong over Laos and Vietnam, rather than round the Indo-China peninsula.

Use of Amber One—the name for the air corridor—will cut flight time between Hong Kong and Bangkok by 75 minutes and save airlines collectively an estimated \$24m a year in fuel.

## New Kwacha rates

The new Zambian kwacha rate against the special drawing right, to which it is pegged, is 0.978311 SDR against 1.00000 previously following last week's 10 per cent devaluation, the Central Bank said yesterday. Reuter reports from Lusaka. Yesterday's Central Bank base rate for one U.S. dollar is 0.83221 kwacha compared with the pre-devaluation rate of 0.74885 kwacha.

## Malaysia given loan

The Japanese Government has agreed to provide Malaysia with a \$210m (£41m) loan under the fourth such yen credit to Malaysia. Mr. Hussein, the Prime Minister, told Parliament on Tuesday. AP-DJ reports from Kuala Lumpur. He said the loan was for infrastructural projects under the third Malaysia plan (1976-80). One such project submitted for the Japanese Government's consideration was the Bantulu port project in Sarawak, costing about \$124m.

## College unrest

The Sri Lanka Government has decided to abolish the system of residential university campuses because of what it called uncontrolled indiscipline, including bomb-throwing and rioting, Reuter reports from Colombo.

## Anti-cholera drive

A Ugandan medical team will carry out mass vaccinations against cholera along the Uganda-Kenya border next week, Reuter reports from Nairobi. The team, monitored in Nairobi, said yesterday. Reuter reports. Vaccinations have already been carried out along Uganda's border with Tanzania.

## Chinese Communist leader may visit North Korea

MR. HUA KUO-FENG, Chinese Communist Party leader, may visit North Korea next month, informed sources said today. It would be Mr. Hua's first trip outside China and the first by a Party Chairman since the late Mao Tse-tung attended the 40th anniversary celebrations of the Bolshevik Revolution in Moscow in November, 1957.

Observers in Peking saw the trip as a logical first visit to a foreign country by Mr. Hua, who became Chairman of the Communist Party in addition to his Premiership after Mao's death in September 1976. President Kim Il-sung of North Korea last paid an official visit to Peking in May, 1975.

China has been pursuing a more active foreign policy over the past year since the purging of extremist leaders in late 1976. Mr. Li Hsien-shan, Vice-Premier, returned today from an official visit to Bangladesh after previously spending five days in the Philippines. Mr. Teng Hsiao-ping, the Deputy Premier, had made official trips to Burma and Nepal in late January and early February, and Chinese sources said they were happy with the way the visits had gone.

They stressed the importance that China placed on its relations with neighbouring Asian nations. A number of delegations are expected to travel abroad from China over the next few months and informed sources said more trips would also be made this year by Vice-Premiers, to Western Europe and possibly Africa.

Meanwhile in Taipei, Mr. Chiang Kai-shek, nationalist leader, the nation's electoral college, members of the ruling Kuomintang, of which Mr. Chiang is the chairman. He succeeded his father, the late Generalissimo Chiang Kai-shek who died on April 5, 1975, candidate who wins over 50 per

cent of the total 1,248 votes in the National Assembly becomes President.

The Secretariat of the Assembly is still counting the remaining votes which were cast by secret ballot. Observers speculate that Mr. Chiang will obtain close to unanimous support from the delegates.

Over 85 per cent of the dele-



Mr. Hua Kuo-feng, Chinese Communist leader and Premier, who may be planning a trip to North Korea. It would be the first visit abroad of a Party Chairman for more than 20 years.

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## Young sees Nyerere on Rhodesia

DAR ES SALAAM, March 21.

U.S. envoy Mr. Andrew Young had talks with Tanzanian President Julius Nyerere today on the stalled Anglo-American proposals for black majority rule in Rhodesia.

"I want to hear what President Nyerere thinks is our best step forward from here," Mr. Young told reporters at the airport on arrival. The Tanzanian leader, the chairman of the five black frontline States which back the guerrillas fighting in Rhodesia, was expected to urge him to press on with the U.S.-British package.

The five countries and the guerrillas fear Britain and America may recognise the internal settlement between Rhodesian Prime Minister, Mr. Ian Smith and three black moderates.

Asked why he was making his surprise visit, Mr. Young said a crucial juncture had been reached on Rhodesia and Namibia (South West Africa) and it seemed appropriate to meet African leaders again.

Michael Holman writes from Lusaka: Mr. Joshua Nkomo, co-leader of the Rhodesian guerrilla alliance, the Patriotic Front (PF), today carefully spelled out the circumstances under which he and fellow PF leader Mr. Robert Mugabe would attend a conference involving the participants in the recent Salisbury agreement.

Mr. Nkomo, speaking at a Press conference here, said that first the Malawi conference must be re-convened to discuss "military arrangements and associated matters." This would exclude other black leaders because "we cannot meet with people who have no military forces."

However, provided "there is agreement of movement from war towards genuine independence," Mr. Nkomo went on, all other interested parties could attend the subsequent constitutional conference proper. "If Britain wants them to attend, they are entitled to attend. That's not our business."



State emergency rescue volunteers evacuate flood victims in the Sydney outer suburb of Panania after gales and torrential rains lashed the New South Wales coast. Meanwhile, the Prime Minister, Mr. Malcolm Fraser, is considering emergency action to end a postal strike which has tied up about 18m. pieces of mail in New South Wales and elsewhere. About 1,600 mail van drivers are on strike to protest against the introduction by Australia Post of private contract mail delivery services in some country areas of New South Wales and the Australian Capital Territory. Since midnight Monday, Australia Post has been standing down other employees who have no work because of the drivers' strike. A postal spokesman said that altogether 2,000 workers had been stood down and the total would probably reach 5,000. Mr. Fraser summoned Mr. Tony Staley, the Minister for Posts and Telecommunications, and Mr. Tony Street, the Minister for Employment and Industrial Relations, to a special meeting yesterday evening to consider recommendations that might be put to Cabinet this morning.

## India's 22 States flex their political muscle

BY K. K. SHARMA IN NEW DELHI

INDIA'S FIVE YEAR "rolling at the NDC meeting were, Mr. Desai found to his horror, scarcely bothered with the plan which had been sent to them for examination only six days earlier. Moreover, the Commission, which is really an advisory body whose members are professional economists and academics, will have to grapple with political problems arising from the demand for further state autonomy. This aspect cannot be ignored now that the NDC meeting has ended with a decision to appoint a committee of Chief Ministers to study centre-state fiscal arrangements. Mr. Desai tried hard to avoid the appointment of such a committee since it would throw up demands that could lead to a serious weakening of the central Government's position in the country's federal structure. He got the NDC to say that the committee will examine the fiscal structure "having regard to the constitutional provisions," hoping thereby that the committee will

plan, aimed at boosting economic development and cutting unemployment, has run into trouble following opposition from the Chief Ministers of the country's 22 States. The stand taken by the Ministers—drawn from at least eight political parties—highlights the new forces at work in India which could seriously strain the country's federal structure.

The states voiced their opposition to the plan at a two-day meeting of the National Development Council (NDC) last week-end, the country's supreme economic decision-making body. This effectively dashed the hopes of Mr. Morarji Desai, the Indian Prime Minister of securing a rubber stamp approval for the plan earlier expected to be endorsed by the NDC just before the Chief Ministers gathered it was due to go into operation on

April 1, will now be delayed by nearly a year. Moreover, the Commission, which is really an advisory body whose members are professional economists and academics, will have to grapple with political problems arising from the demand for further state autonomy. This aspect cannot be ignored now that the NDC meeting has ended with a decision to appoint a committee of Chief Ministers to study centre-state fiscal arrangements. Mr. Desai tried hard to avoid the appointment of such a committee since it would throw up demands that could lead to a serious weakening of the central Government's position in the country's federal structure. He got the NDC to say that the committee will examine the fiscal structure "having regard to the constitutional provisions," hoping thereby that the committee will

be precluded from recommending constitutional changes needed if the States' demands for further autonomy are to be conceded. But this qualification is certain to be ignored by the Chief Ministers. The Marxist Chief Ministers of West Bengal and Tripura immediately dissected from the stipulation that the committee will confine itself to constitutional provisions, leaving them free to discuss radical changes. More ominously, 12 Chief Ministers have decided to meet independently next month at Chandigarh, capital of Punjab, to discuss the question of further fiscal and financial autonomy for the States. This suggests a sharp division between the mainly Janata-controlled States, that are content with the present position, and the others that want to debate, with a view to changing, centre-state financial powers.

## BURMA

## Putting his trust in army intelligence

BY DAVID HOUSEGO, ASIA CORRESPONDENT

DISTURBED by growing signs of unrest in Burma, President Ne Win, who has been in power for 15 years, has just concluded of his military with Soviet con- major reorganisation of his army intended to forestall any future challenge to his authority, which Ne Win—who dropped his membership of his newly rank of general in 1972—has appointed Council of Ministers been hoping will diminish its a clear sign of his leaning support for the insurgent Burmese Communist Party that unning of the country on his operates from a base in China's southern province of Yunnan. Ne Win pressed for this when he visited Peking last year and reiterated the point when China's Vice Premier, Teng Tiao-ping paid a state visit to Rangoon a little more than a month ago.

Le Win's preoccupation with re-establishing his personal supremacy has meant that the economic reforms proposed by the World Bank, which organised the Burma Consortium of donor nations in 1975, have largely been put into limbo. After a brief upturn in the economy as a result of aid flows and good harvests the familiar pattern of stagnant or declining output in agriculture and industry has returned.

President Ne Win has felt the advances made by the Communist forces, now numbering 8,000, which over the last year have mounted some of the heaviest attacks since fighting began in 1946, and have it had held its Third Party congress early last year followed Burma than before. Recent reports have suggested that the two northern towns of Hsawu and Kungu which would mean that they have a foothold west of the Salween River. Whether they can entrench themselves in the territory they have captured is another matter.

Their success has been largely due to the alliance developed with the numerous dissident tribal forces in Shan and Kachin state which have unsuccessfully pressed for autonomy against Ne Win's centralist regime. It has also stemmed from the low morale in the Burmese army. Desertions are said to have reached 500 a month from an army of 170,000.

The army worry has been the discontent in the army which came to a head in mid-1976 with the uncovering of the so-called "captains plot." It was the first known attempt involving six army officers, to assassinate Ne Win and overthrow his regime. Though the programme was hasty, it made much of encouraging private enterprise to offset the stagnation in the economy and reduce soaring prices and unemployment.

The convicted officers were sentenced to death in January last year and in the aftermath the hard-line members of the ruling Socialist Party persuaded Ne Win to weed out from positions of power those whom they considered liberals. Their campaign was all too successful. When the Third Party Congress met it astoundingly elected General San Yu, the party's secretary-general, and a non-descript figure as its leader, which amounted to a sharp rebuff to Ne Win.

He set out to retrieve the situation, first by ordering a recount, then by purging the extremists, and finally by order-



General Ne Win, the Burmese President.

ing elections to a new People's Assembly which prepared the way for the recent cabinet changes. Many of the more important arrests took place while he was out of the country, either in China or on his annual visit to Britain. The fact that he felt able to be away at such a crucial time is a sign that he is still able to crack the whip even though he is probably over 70 and suffering from a heart disease. One factor working in his favour is that though morale in the army is low, most units are preoccupied with the insurgency which makes the organisation of a coup difficult.

The only straw in the wind of a revival of the "pragmatic" economic policies pressed by the World Bank was a leading article in a government paper in January implying that foreign investment to develop the pulp and paper industry would be welcome.

There has been no confirmation of this or that Burma is seriously interested in attracting foreign capital or expertise to develop its immense mineral, forest or agricultural resources. Other reforms proposed by the World Bank—a reorganisation of the tax structure, putting state enterprises on a commercial basis and improving the distribution system—have all moved slowly if at all. A package of regulations presented last year as a shift to be little more than a codification of the existing rules of the public and private sector. The most lively sector of the economy has been the black market. Otherwise the political turmoil has exacerbated economic decline.

When donor members of the aid consortium—including the U.S., Britain, and Japan—met in February they took the view that further funds would depend on the government's readiness to put through policy changes. How bad the situation is emerged in one of the few public eye-openers which the Burmese leaders have permitted on the state of the country. At the Third Party Congress General San Yu berated many party members for corruption, lethargy and weakness of purpose before listing a series of ills from poor sugar mill production to the pilfering of spare parts from government trucks. The changes to the Government seem likely to freeze the status quo while Ne Win lives. No heir apparent is in sight and the President is not the man to risk his neck by indulging in a successor. The Communist leaders depend on China for their supplies which is both a help—but also a major constraint as Peking is an anxious as Ne Win for cordial relations between Governments.

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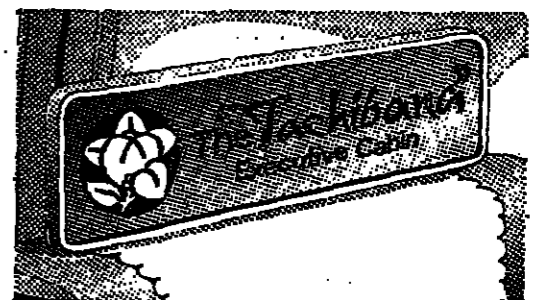


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## AMERICAN NEWS

## ITT executives charged over evidence on Chile

BY STEWART FLEMING

TWO EXECUTIVES of International Telephone and Telegraph (ITT) have been charged with perjury in connection with evidence they gave to a Senate Sub-committee about the company's involvement in efforts to stop Dr. Salvador Allende becoming President of Chile in 1970.

The charges were filed against Mr. Edward Gerrity, a senior Vice-President of ITT, and a close associate of Mr. Harold S. Genen, the man who headed the company until last year, and Mr. Robert Berrellez, a regional manager.

The Justice Department said yesterday that no other actions arising from its investigations of the hearings were contemplated.

This statement is being interpreted as meaning that no charges are to be brought against Mr. Genen himself. The charges against the other two executives were filed just before the statute of limitations on the alleged offences was due to run out.

The allegations arise out of evidence given to hearings in March and April, 1973, of a Senate Sub-committee headed by Senator Frank Church into ITT and CIA involvement in the 1970 elections in Chile.

A subsequent investigation in 1975 by the Senate Intelligence Committee also headed by Mr. Church suggested that both organisations were opposed to Dr. Allende's election and that they had co-operated to some extent in their campaign against him.

NEW YORK, March 21.

Mr. Gerrity was charged with having perjured himself when he said that no money was given by ITT to Sr. Arturo Matte, a campaign official for one of Dr. Allende's opponents and when he denied that money spent by ITT had been intended to try and prevent the Chilean Congress from ratifying Dr. Allende's election.

Commenting on the allegations, ITT said yesterday that the company was confident that the two executives would continue to serve as valued executives of ITT, "adding that the company was confident that they would be found innocent."

## Investment by U.S. welcome in Brazil

By Diana Smith

RIO DE JANEIRO, March 20.

A REPORT to the U.S. State Department made by the outgoing U.S. Ambassador to Brazil, Mr. John Crimmins, now released publicly, stresses that despite pressures on the Brazilian Government by national companies to limit foreign investment, most U.S. enterprises are planning to expand here.

Mr. Crimmins adds that despite the reduction in GNP growth rate (from 9.2 per cent. in 1976 to just over 5 per cent. in 1977) caused by Government anti-inflation policies, Brazil's economic situation remains good and foreign investors are optimistic about future prospects.

Mr. Crimmins reflects the general view that the Brazilian Government's favourable attitude to foreign investment is becoming increasingly selective with incentives in areas which it considers already sufficiently developed.

Apart from specific areas reserved for national enterprise, like oil, mining, the merchant navy and the media (although the first two are open to limited joint ventures) the report describes Brazil as a "highly attractive country for foreign investment because of its rapid economic growth and brilliant prospects, availability of skilled labour, and an adequate transport and communication system and an abundance of companies able to produce competitive goods."

Of a total \$9,824m. of foreign investments in Brazil up to June, 1977, the report says, \$8,800m. were in foreign currency and \$93m. in reinvested profits. Money returned to the U.S. in the form of profits and dividends on reinvested funds totalled \$1,619m. in 1976 compared with \$923m. in 1974.

East European countries made a substantial effort last year to increase their trade with developing countries and stepped up their trade within the Comecon area in order to mitigate the depressing effects of the slow-

## WORLD TRADE NEWS

## Comecon payments deficit hits investment and trade

BY ANTHONY ROBINSON

THE PRIORITY given by

Comecon countries to reducing their substantial payments deficits at the expense of growth and investment is reflected in a considerable slowdown in East-West trade last year, according to the latest United Nations Economic Survey of Europe report.

The overall volume of East-West trade fell by around 3 per cent. last year. Imports from the West dropped by 5 per cent. over the first nine months while exports to the West rose by 3 per cent.

The depressed state of most Western economies prevented the much greater expansion in East bloc exports which was planned but even this modest rise, which compares with a 14 per cent. rise in exports to the West in 1976, contributed to a reduction in the estimated overall trade deficit with the West to \$50m. compared to a 1976 deficit of \$740m.

The deficit was financed by net new borrowing of an equivalent amount from the West and is reflected in a net debt position of between \$37-40m. compared with an estimated \$32-35m. in 1977.

East European countries made a substantial effort last year to increase their trade with developing countries and stepped up their trade within the Comecon area in order to mitigate the depressing effects of the slow-

down in East-West trade.

This is reflected in a 28 per cent. rise in exports to the Third World while the volume of intra-Comecon trade rose by 37 per cent. over the first nine months of last year compared with an increase of only 5.4 per cent. in 1976.

The report makes clear that the Soviet Union, Poland, Hungary and Bulgaria all aim to reduce their trade deficits still further this year, implying a continued effort to raise exports faster than imports.

But given the 5 per cent. decline in imports from the West last year and higher expected grain imports by the Soviet Union, Poland and Czechoslovakia, the report notes scope for a modest recovery in two ways.

trade in 1975, particularly as the overall level of economic activity in the Comecon area is planned to expand by 4.5 per cent. this year.

Romania has the most ambitious growth target for 1978, at 10.5 per cent. while the Soviet Union, the GDR and Bulgaria plan for a rise of between 10-11.5 per cent. with Czechoslovakia and Poland planning the slowest growth—around 7 per cent.

Although the report declines to give a figure for the likely growth in East-West trade this year, it estimates that intra-Comecon trade is likely to rise by around 7 per cent. with a similar increase in the volume of trade with developing countries.

Mr. Williams suggested that Russia's insistence on supplying certain bulk petrochemicals like ethylene, propylene and benzene in compensation deals is threatening to create new over-supply.

There were many items the West would like to buy from the U.S. but not all were always offered in compensation deals. That was a real threat to the development of Anglo-Soviet trade.

Speaking at a conference of the Confederation of British Industry in London, he said Russian insistence on exchanging certain kinds of product might aggravate existing over-supply.

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## Saudis buy no-alcohol beer

By Yoko Shibata

TOKYO, March 21.

SHONAN MISSION Bottling, the Yokohama-based soft drinks manufacturer, is to export non-alcoholic beer to Saudi Arabia, where alcohol is prohibited. The first 16,800 dozen 340-millilitre bottles are to be shipped at the end of next month, then about 120,000 dozen are to be exported each month.

Shonan Mission Bottling joined a Middle East trade mission organised by Yokohama City last year and has been holding business talks with Saudi Arabia and Kuwait.

With Kuwait, negotiations are in progress on exporting a non-alcoholic beer manufacturing plant worth ¥120m., with enriched non-alcohol-beer liquid.

The company says a "non-alcoholic" beer contains 0.5 per cent. of alcohol to provide flavour. It has conducted market research in Middle East countries using samples of non-alcoholic beers and discovered that demand for alcohol has spread among Middle East people despite official prohibition.

In Saudi Arabia, Swiss-made non-alcoholic beer has been introduced. No sales have been made in Kuwait but a local trading company is applying to the Government for permission to import Shonan Bottling beer.

A contract may be signed shortly. According to the application to the Kuwait Government, Shonan Mission Bottling will supply a plant with a production capacity of 7,200 bottles an hour, also technical guidance.

## Kenya paper mill expands

By John Worrall

NAIROBI, March 21.

THE BIG Pan African paper mills at Webuye, Kenya, are to produce newspaper for the local market and for export as part of a 57m. expansion plan. Kenya's consumption of newspaper is about 5,000 tons a year, which Pan African, a £20m. concern, says it can meet within two years. It will save Kenya about £1m. a year in foreign exchange.

The company hopes to export newspaper to neighbouring countries.

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## Death penalty row looms in NY

BY JOHN WYLES

NEW YORK, March 21.

THE RESTORATION of the death penalty in New York State is set to become a major political issue in elections later this year following the approval of a Capital Punishment Bill by the State Assembly last night.

Since similar legislation has been approved by the State Senate, all eyes now focus on Governor Hugh Carey who seems to be courting unpopularity in advance of his campaign for re-election in November by pledging to veto the legislation.

The Governor has ten days in which to stop the Bill going on the statute book but capital punishment supporters will then seek to have the veto overridden by a two-thirds majority of both houses of the legislature. Since the legislators have no deadline in which to try to override the veto, Governor Carey's Republican opponents will control the Senate, are expected to keep the

controversy warm and to revive the issue closer to election day.

Supporters of the legislation claim that the strength of feeling among their constituents is such that their own personal feelings on the issue are irrelevant.

Yesterday's debate featured a discussion on the philosopher Edward Burke's writings on the need for legislators to act on their own judgments.

One legislator warned that "blood will be in this chamber, on our hands," while another declared "if this is a bloody Bill, out there is a bloody scene."

The final vote was 95 to 51 in favour of the legislation which indicated that the two-thirds majority to override a Governor's veto was one vote short of the necessary majority. However, supporters of the death penalty claim that public pressure will

yield the extra votes which are needed.

New York State's existing law on capital punishment which applied only to the murderers of policemen and prison officers was declared unconstitutional last September by the State's Court of Appeals because it had no provision for juries to take mitigating circumstances into account.

The Bill passed yesterday would permit executions in certain categories of "intentional murders." During the debate it was claimed that more than 100 convicted murderers could be covered by the Bill's provisions each year.

Imposition of the penalty would be separated from the original trial proceedings and the Senate would decide whether the sentences would be warranted by the circumstances of the crime.

## Committee moves on gas price

WASHINGTON, March 21.

U.S. HOUSE of Representatives Democrats, who have agreed tentatively to support gradual decontrol of natural gas prices, have presented their position to Republicans on the House natural gas conference committee. There were no votes among the House conferees, but the group planned to meet today to make a counter offer to Senate conferees.

Last Friday, House Democratic conferees agreed tentatively on a plan to gradually decontrol gas prices in a less generous manner than agreed previously by the Senate group.

The Senate had agreed to phase out price controls by 1985, while the House Democratic group agreed to phase out the controls with additional safeguards to prevent windfall profits.

Reuter

U.S. COMPANY NEWS  
Sears, Roebuck profits decline in fourth quarter; Curtiss-Wright to comply with Utah bid rules; Green Giant ahead—Page 28

## Citibank sees slow growth

NEW YORK, March 21.

U.S. ECONOMIC growth in the first quarter of 1978 will probably slip below the relatively sluggish pace of the fourth quarter of 1977, according to Citibank's Economic Week publication.

Industrial production rose by 0.5 per cent. in February following January's 0.3 per cent. decline. The rebound, the publication says, is reassuring evidence that the U.S. economy has not lost its forward momentum. However, Economic Week says, it will take a sharp jump in March to pull growth up even to the sluggish pace of the fourth quarter of 1977.

With U.S. car inventories currently fairly heavy and the annual selling rate running in the 8.5-9m. unit range for domestic makes, Economic Week says that it is unrealistic to expect car production to provide much push to overall production in 1978.

AP-DJ

## Canadians warned on pay

BY VICTOR MACKIE

OTTAWA, March 21.

THE ECONOMIC problems in Canada will grow worse if its people seek extra pay increases to offset higher prices for imported goods, Mr. Gerald Bouey, Governor of the Bank of Canada, said today in his 1977 annual report.

Higher prices in Canada have resulted from recent devaluations of the dollar. The devaluation was necessary, said Mr. Bouey, to offset the impact of domestic cost increases in international trade.

Mr. Bouey said the fall of the Canadian dollar—from about U.S.\$1.09 in November, 1976 to U.S.\$0.89 this month—is an indication that the past is catching up on the Canadians.

He said Canadian costs were too high in the past compared with the country's competitors and some adjustment was required.

However, with the fall of the dollar, foreign-produced goods have become more expensive to Canadians, pushing up the inflation rate.

"There may be a disposition on the part of some Canadians to believe that they should be protected from the higher costs of imports by receiving extra increases in their incomes, but that would exacerbate rather than solve our economic problem," said the Governor.

Last week following the publication of Canadian consumer price statistics, which revealed that imported food prices were a major contributor to inflation, opposition leader Mr. Joe Clark, asked if the Government was planning action to help lower-income people. The higher prices would hit the poor the hardest, he said.

Mr. Jean Chretien, the Finance Minister, warned that to protect the public against inflationary increases would be "a recipe for disaster."

Mr. Bouey, commenting on Canada's economic situation, said it was "virtually inevitable" that sooner or later the dollar would fall because of costs and production trends in the U.S. and Canada.

## NEW YORK CITY COUNCIL

## No. 2 job takes on new significance

BY CAROLE KORZENIOWSKY IN NEW YORK

THE NEW YORK City Council President, Miss Carol Bellamy, has unquestionably placed herself on the political map. People are already talking about her future in terms of the mayoralty, the Governorship and even the Presidency. Carol Bellamy does not reject any of the possibilities. It is clear however that for at least the next four years she plans to take full advantage of the Presidency of New York City Council, an office which is beginning to emerge in many people's estimation as the No. 2 position in the City after the Mayorality to which she would automatically succeed were the present Mayor unable to complete his term.

While her predecessors in office have been more often seen than heard and seldom remembered for any political impact Miss Bellamy has already demonstrated her intention and capability of exploiting to the full the variety of powers allocated to the office under the new City Charter. Uppermost among these is her seat on the Board of Estimation, the City body which determines what New York City needs to spend money on, and to whom the money should go, both enormously sensitive issues in these times of fiscal crisis. She, the Mayor and Comptroller each have an equal number of votes except when the Mayor submits his annual budget at which time she exercises a weighted vote of over 22 per cent—a position which gives her substantial leverage.

Also as the title suggests the Council President presides over the City Council which while not inspiring a great deal of admiration in the past is now being guided through a number of changes for which Carol Bellamy has campaigned. The changes are in the direction of a more rigorous and professional assumption of the Council's responsibility to oversee and co-ordinate all aspects

of City government. A new feature of the charter gives the Council President "oversight" authority to provide management and productivity reviews of the City's administrative agencies.

This is the stuff of today's urban politics. In Carol Bellamy's words: "The boring, nitty-gritty work which isn't terribly sexy but yields results." At present one can only evaluate

the efforts as the results are still forthcoming. She is clearly trying hard to shape a city government into one which is responsive to the many victims of urban decline, finds it "often terribly frustrating and sometimes painful," and can't succeed single-handed. So far New Yorkers are with her. She is in great demand for guest appearances at community meetings.

Her appeal is not only that at 35 she is young, attractive and single, all of which help of course with the media. More important, she has managed in a very short time to build a reputation for honesty and sincerity which is a considerable premium in these cynical post-Watergate days. Add to this an ability to reduce complicated fiscal issues to the bare essentials and to relate them to ordinary people's lives, and finally a sense of humour an asset of utmost importance in city politics and one gets an idea of the reason for her widespread popularity.

Her own politics are a curious mix of two radically different periods in America. As a "child of the 60s," a tag which she gave herself during her

campaign, she allies herself with a broad spectrum of human and civil rights movements, and sees Government as playing an active role in bringing about reform and reversing inequalities. However, having received her political training in the hard times of the 1970s, she is painfully aware of the limits of the Governmental purse. The result is a vision of

York City charged with bringing the performance of the Municipal Assistance Corporation which was formed to rescue the City from bankruptcy.

Despite what many describe as "workaholic" performance in the State Senate and her active role in reform politics Miss Bellamy was virtually unknown to most New York City voters before the campaign for Council Presidency last year. It is a wonder therefore that she managed to beat four other contenders for the Democratic Party candidacy, all of whom were better known than she and one of whom, the incumbent Paul O'Dwyer, was a well loved liberal legend.

It would seem that New Yorkers endorsed Ms Bellamy's campaign statement that the City could no longer afford a ceremonial City Council President in the second highest elected office. The largest contributing factor to her success however was the wide spread backing of the media. She was supported to the hilt by all three of the major dailies plus assorted other papers, and she continues to enjoy favourable and relatively extensive coverage despite the fact that the new mayor's administration's honeymoon period with the media is now over.

But perhaps the most interesting element in her victory is a phenomenon which has been dubbed the "Bella backlash." Mrs. Bella Abzug, a dramatic and sometimes abrasive former Congresswoman who was running for Mayor in the same primary election put a great many Democrats in the peculiar position of supporting her platform but not her style. Many saw-sawed between Edward Koch and Bella, and finally voted for the triumphant Koch. It was then with immense relief that they were able to choose a woman City Council President who was not only liberal but also looked and acted like the girl next door.

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Saudis buy  
no-alcohol  
beer

SAUDIS BUY  
NO-ALCOHOL  
BEER

need off go

to express

# I can't get a job... I can't get experience without a job... but I can't get experience without experience...

## Vicious, isn't it?

All over Britain there are thousands of unemployed young people trapped in this vicious circle.

In some areas it's as many as one in three. They are not work-shy. In many cases they have tried for dozens of jobs, only to find that, without experience or skills, they haven't a hope.

Yet we know for certain that if they could get some experience of working for a living or acquire a skill, their prospects would be much brighter.

Which is precisely why we have created the Youth Opportunities Programme.

### Youth Opportunities Programme.

The Youth Opportunities Programme is a new plan to help employers help young people, even if they can't offer any permanent jobs.

It's based on the best elements of existing schemes that have succeeded in helping as many as 8 out of 10 participants into jobs. The idea is extremely simple: If you can take in young people for up to six months, introducing them to the benefits and disciplines of work, we will pay them £19.50 a week.

And there are no National Insurance contributions or tax returns to worry about.

They get invaluable experience, training and the chance to earn a reference that proves their worth. You get a chance to give them a future without having to take anyone on permanently—unless you want to.

### The alternative.

The only alternative is a growing number of young people who feel discarded by 'the system' and a smaller pool of trained and enthusiastic people for industry to draw upon. And, if nothing's done, the inescapable truth is that by the end of this year the situation will be even worse.

Which is why the Programme is backed by the government, the CBI and the TUC.

### How it works.

We have offices all over the country and our staff are eager to give employers every detail of the scheme.

At the same time, these offices keep in close touch with all the bodies concerned with unemployed young people in your area.

Which makes them uniquely

qualified to help you help young people.

If you're interested in participating in the Programme, our staff will help you plan an introduction to work for young people that will benefit them without disturbing the normal running of your business.

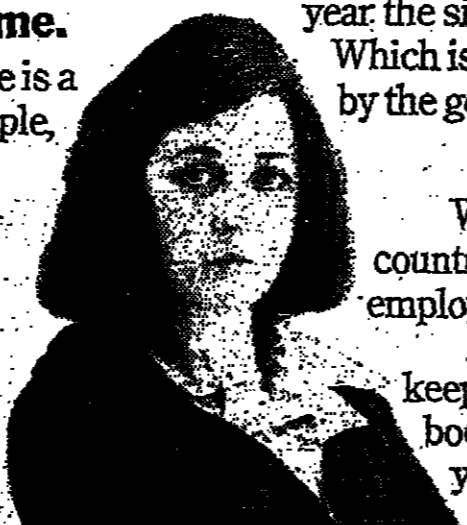
You are then free to choose the young men and women you feel have the most to offer—and whose future will be brighter as a result of training and experience under your guidance.

Then it's up to the Youth Opportunities Programme to make sure that your involvement is as trouble-free and rewarding as possible. Give a young person a chance, and we will do the rest.

### What to do.

Get the full story from Roger Panton, Manpower Services Commission, Department FT2, Selkirk House, 166 High Holborn, London WC1V 6PF Tel. 01-836 1213.

Our future workforce depends on it.



**YOUTH OPPORTUNITIES PROGRAMME**

Manpower Services Commission  
Special Programmes

## HOME NEWS

Matthew Hall  
wins £25m.  
rig contract

BY RAY DAFTER, ENERGY CORRESPONDENT

A £25m. contract to convert a semi-submersible drilling rig to a floating production platform for British Petroleum's Buchan Field in the North Sea has been won by Matthew Hall Engineering.

The rig Drillmaster is to be converted so that it can cope with a peak production rate of 70,000 barrels a day. Matthew Hall said yesterday that it was believed to be only the second conversion of its type in the world and the first to be designed and engineered by a British contractor.

The contract involves project management, engineering design, construction management, the tow-out to the field, installation work and assistance with offshore commissioning of the facilities.

BP and its partners hope that the field will be on stream in the autumn of next year. The production scheme is costing about £130m. and it is expected that in the first four years 50m. barrels of oil—valued at about £380m. at present prices—will be produced.

Matthew Hall said that it saw the contract as a significant step in its own development.

Besides BP, the Buchan group comprises: Transworld Petroleum (U.K.); Transworld Petroleum Corporation; ST. John Petroleum (U.K.); City Petroleum; CanDel Petroleum (U.K.); CCP North Sea Associates; Gas and Oil Acreage; Charterhall Oil; and Lochiel Exploration (U.K.).

## Claims scheme rejected

BY JOHN MOORE

LLOYD'S OF London has rejected a compromise proposal by Instituto de Resseguros do Brasil, a Brazilian re-insurance group, which could have settled out of court its \$13m. claims row with Lloyd's syndicate F. H. Sasse.

The proposal was made at a meeting on March 10 between the Brazilian group and the chairman of Lloyd's.

It is understood that Instituto de Resseguros suggested that a member of the committee of Lloyd's should study the 350-page report prepared by loss adjuster Graham Miller on the

claims and the placing of the will have to emerge in the ordinary course of litigation." The disputed claims arise out of 1,300 insurance contracts arranged through the Sasse syndicate's Florida Underwriters. The risks were subsequently insured with Instituto de Resseguros.

Claim: to date amount to nearly \$12m., but so far the Brazilian group has only paid solicitors for the Brazilian group, said that the IRB proposal has not met with a positive response from the chairman of Lloyd's. It would appear that if the dispute is to be resolved before trial a resolution against IRB.

Plan to  
fight  
shoplifting  
menace

By James McDonald

THE Government should recognise that theft from shops was a national problem costing the public £500m. a year and adding 2 per cent to the cost of all retail sales. Barons Phillips, director of the Association for the Prevention of Theft from Shops, said in London yesterday.

There should be a Government campaign to advertise the problem of shoplifting, she told the annual meeting of the association. She suggested a campaign to recruit the public, who carried the burden of such crime in the form of higher costs, to help stop it.

Women must make  
pensions decision

BY ERIC SHORT

MARRIED WOMEN and widows paying the reduced rate of National Insurance contributions were warned yesterday by Mr. Stanley Orme, the Social Security Minister, that they had only two weeks to decide whether they wished to start building up rights to an earnings-related pension from April 6, when the State pension scheme starts.

Under the old State system, which provided only a basic flat rate pension, married women had the option of paying reduced contributions and relying on their husband's contribution record to ensure a basic pension when they retired.

This option is no longer available to married women coming into the State scheme, but women who paid reduced contributions under the old system can con-

tinued to do so. But they will have no entitlement to second tier earnings-related pensions.

Women can change from paying reduced contributions to paying the full contributions, but the reverse—this option taking effect at the beginning of a tax year.

So Mr. Orme is advising married women and widows to notify their social security office in time if they wish to switch. Otherwise, they will have to wait until April next year before making the change.

Mr. Orme also pointed out that women not working should safeguard their home responsibility entitlement by notifying their social security office of any intention to pay full contributions when they resume full-time work.

Another  
executive  
leaves  
Leyland

ANOTHER TOP executive in British Leyland's cars division is leaving following the reorganisation of the company into smaller units.

Mr. Jerry Clancy, who became the head of Leyland Cars' service and parts division 16 months ago, is leaving at the end of March.

His departure ends a six-year career with Leyland which began in the truck and bus division as director of finance, planning and control. Mr. Clancy, a 43-year-old Irishman, who was hired from Ford's finance department, was offered a new higher appointment in Leyland but preferred to leave.

Ford wins  
£1.3m.  
Polish order

FORD HAS WON a £1.3m. order from Poland for the supply of 500 Escort Sports in the face of competition from France and Western Germany.

All the vehicles will be manufactured at Halewood, Merseyside, and delivery will be completed by December. The cars are for sale to the public in Poland.

Civil Servants  
offered early  
retirement cash

BY DAVID CHURCHILL

SENIOR CIVIL Servants are being offered tax-free lumpsum payments of up to twice their salary, plus a full pension, if they agree to take early retirement.

And third, they would receive a monthly compensation payment equivalent to their retirement pension. This would be replaced by the normal pension when four out of every ten top civil servants are due to retire. By retiring some top managers early, Whitehall hopes to avoid losing so many experienced staff all in one go, which would lead to an inevitable drop in efficiency.

A 57-year-old senior civil servant, for example, who earns £10,000 a year would receive a lump sum £20,000—payment plus a £5,000 annual index-linked pension for life.

This deal is made up of three parts: First, civil servants asked to retire "in the public interest" are offered compensation of up to six months' salary.

Tower history  
gallery opens

THE NEW HISTORY gallery at the Tower of London opens today.

The gallery has been built on the site of the 14th-century medieval great hall in the most of the White Tower.

An exhibition explains the national significance of the Tower and the personalities and events associated with it and its architectural development in relation to the many roles it has served.

The Roman's Mosaic wall, discovered during excavation of the foundations, has been incorporated into the gallery.

## Ulster jobs

By Our Belfast Correspondent  
ABOUT 4,000 new jobs will be provided in education and health in Ulster over the next year, Lord Melsbet, Minister of State at the Northern Ireland Office, said yesterday.

## WHITE PAPER SETS OUT NEED FOR LONG-TERM INVESTMENTS

## Separate North Sea oil fund plan rejected

BY DAVID FREUD

THE IDEA of a separate fund for revenues from the exploitation of North Sea oil is rejected in a White Paper published yesterday.

Instead, the Government plans to make a report to Parliament each year to show what progress has been made in using the resources from the North Sea.

These will cover the wider benefits of oil to the economy and also investment in industry, energy and public services. The first such report will be published in the summer of next year, covering the previous financial year.

The White Paper says that it would be all too easy for governments to use the extra revenue to finance a quick improvement in living standards through tax reductions and increased social benefits to an extent which would leave insufficient room for increased productive investment.

It goes on: "It would be wrong to spend the benefits of North Sea oil in this way. It will be recalled that a useful balance of payments surplus was built up in 1969-70; but this was rapidly dissipated in a short-lived consumer boom in the early 70s leaving no permanent improvement in our economy."

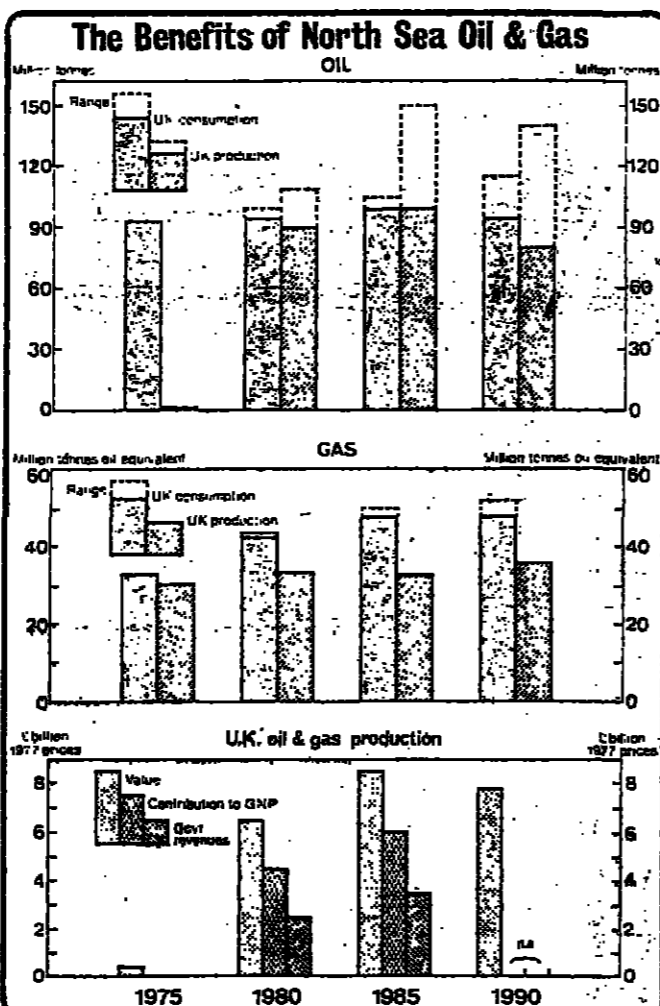
"It would be a tragedy for the nation if such irresponsible waste were to be repeated in relation to North Sea oil."

The White Paper sets out four broad areas into which the Government proposes to channel the oil resources for the best long-term advantage:

- Investing in industry—direct use of oil resources to increase industrial capacity by guaranteeing general investment incentives, expanding selective assistance, supporting the National Enterprise Board and other development agencies and tackling the long-standing problems of Scotland and the assisted areas.

- This will enable us to enjoy higher growth and more public and private consumption, says the White Paper.

- Improving industrial per-



The charts illustrate U.K. oil and gas production and demand from the oil-out turn in 1975 to the expected totals in 1990. The range of possibilities is indicated in the forecast figures.

the exchange rate nor the level must be consciously restricted of domestic activity is affected, and allocated to the kind of long-term investment the U.K. has of payments by about £5.5bn. in not always been able to afford 1980 and about £5.2bn. in the mid-1980s (all 1977 prices).

A large part of the new when the oil runs out our resources and extra revenues, trial base is stronger than it was

before. This requires a measure of discipline and a sense of priorities on the part of the Government.

The Government had decided it was not practicable to go further than the proposed annual reports and set up a separate fund into which all or part of the revenues would be paid, and from which money would only be used to finance special projects which match these priorities.

A fund would mean providing for a fixed sum to be spent in specific priority areas separate from and additional to the Government's main public expenditure programmes. In many cases these areas would overlap.

Expenditure financed from a fund would by definition be of lower priority than the basic spending in the main programmes and, were the Government to have one set of priorities for fund revenues and another for the rest of its programmes, there would be a risk of confusion and misallocation of national resources.

There is no easy way of identifying what public spending or tax reliefs are made possible by North Sea oil. It is one general is higher and the burden of taxation lower than it would have been without oil.

"It is quite another to identify and enumerate in advance specific items of expenditure, or specific tax reliefs, which the oil will make possible."

"Any attempt to bring together such items in a separate fund would be artificial and unconvincing. Also it would clearly be wrong to make the amount of North Sea revenues determine the amount of spending in par-

ticular fields rather than relative needs. On the other hand a fund where the amount of revenue had no effect on spending would be an empty piece of accounting."

The best national use of North Sea revenues would be achieved if they were accommodated within the existing system of financial planning.

The Government believed that the annual progress reports would be more meaningful than setting up a development fund which would either be largely cosmetic or have the effect of undesirably separating the decisions that would have to be taken.

On specifics, the Government saw scope for a considerable reduction in taxation in the next few years.

"However, a programme of major tax reductions, with no direct provision for any expansion in the economy's productive base, might increase national living standards only temporarily. Any large drop in tax rates would depend on faster economic growth."

"With the investment strategy revitalising the U.K.'s economic performance, faster economic growth will enable the Government to continue with its programme of reducing the personal taxation."

"This would not only improve work incentives, strengthening the economic recovery and making a return to full employment easier; it will also ensure that real take-home pay can be increased without inflationary rises in money wages, thereby reducing labour costs and improving competitiveness."

The Challenge of North Sea Oil. Cmd. 7145. S.O.: 45p.

Alice ventures into  
auction wonderland

SIX-YEAR-OLD Vanessa Alice St. Clair became Phillips' youngest-ever bidder yesterday when she tried to buy a Victorian photo album containing a hitherto-unknown picture of her great grandmother, Alice Liddell, the inspiration for Lewis Carroll's Alice in Wonderland.

She stayed in the bidding until 200, having opened it at £20. The album of 100 Liddell family pictures was sold to the Victoria and Albert Museum at Brighton for £400.

A rare group of 18 Napoleonic miniatures was bought at Christie's yesterday for £13,500 by Lavender, the London dealer.

They had been sent for sale by an American collector and were part of a sale of miniatures, Russian works of art and gold boxes which totalled £124,750.

An anonymous bidder paid £9,000 for a Dutch oblong gold snuff box by Jean Saint-Amant, Amsterdam 1748. A Louis XVI gold snuff box by Pierre-François Mathis de Saulnier, Paris 1776, went to S. J. Phillips at £8,800. Both boxes had been sent for sale by the Earl of Stair.

A presentation French oval snuff box in gold circa 1860, was bought by Blenheim Arts for £7,000. And a Swiss oval enamelled gold musical snuff box for £3,500.

One of the day's more interesting lots was a French salience of 72 paintings, mainly of cats, chess set commemorating the Moroccan campaigns of Marshal Lyautey. Made specially for presentation by the French Government after his success in Beirute and other works of art brought in £18,091.

Hammond's Book of Chessmen, as "unique." It realised £3,500.

A Christie's sale of Japanese swords, sword-fittings and prints realised £45,661. Kruml, the London dealer, paid the highest price of the day at £1,300 for an oban print by Hiroshige. An oban print by Utamaro of a seated woman arranging chrysanthemums while her

## SALEROOM

BY ANTHONY THORNCROFT

mistress stands beside her, sold anonymously for £1,000.

The collectors' sale at Phillips Marlowe, totalled £16,370. Knowles paid £1,200 for a German tin clockwork bus from the turn of the century.

A Phillips' sale of jewels totalled £134,850 and Fischmann, an American buyer, paid £9,200 for an emerald-and-diamond ring. A furniture sale totalled £38,015.

An Sothome's collection of Victorian dip pens and writing equipment, gathered by a High Court judge, sold for £1,382 for 18 lots.

At Sothome's Belgrave, Victorian pictures and a collection of 72 paintings, mainly of cats, chess set commemorating the Moroccan campaigns of Marshal Lyautey. Made specially for presentation by the French Government after his success in Beirute and other works of art brought in £18,091.

Standard Chartered Insurance Brokers  
(Nigeria) & Co

Standard Chartered Insurance Brokers Limited, a joint venture company owned equally by the Standard Chartered Bank Limited and Bland Payne, international insurance and reinsurance brokers, announce that they have acquired a 40% interest in FIM Consultants Limited, a company established in Lagos, Nigeria, which is owned by Mr F O Ogunlana. FIM Consultants Limited has formed a wholly owned subsidiary, Standard Chartered Insurance Brokers (Nigeria) & Co., which will act as the insurance broking arm of the new group.

This company will be the fourth joint venture established by the Standard Chartered Bank Limited and Bland Payne who already have companies operating in Hong Kong, Singapore and Malaysia.



Standard Chartered Insurance Brokers Limited  
Sackville House  
143/152 Fenchurch Street  
London EC3M 6BN  
Telephone 01-623 2080



# Anglo American Corporation Group

Extracts from the reviews by the chairmen of the Transvaal gold mining companies for the year ended 31 December 1977.

Mr. D. A. Etheredge and Mr. G. Langton made the following observations in their reviews.

## Gold and Uranium Markets

The gold price showed a most satisfactory upward trend during 1977, opening on January 31 1977 at \$136 and closing on December 30 at \$165. The average free market price for the year was \$148, an increase of 18 per cent compared with the average for 1976.

The gold market seemed to move in two distinct phases in 1977. In the early part of the year strong industrial demand, which had been evident during 1976, continued in Europe with a considerable off-take to the Middle East. This moved the price steadily ahead to reach a high of \$154 in March, and thereafter until August gold seemed to have reached a point of equilibrium in the \$140-\$150 range. During this time speculators were not present in any great force in the market, as was illustrated by the small margin between the high and low prices in any one of these months. It was also apparent that industrial demand was absorbing the majority of gold sold and this set a fairly solid floor to prices at this level.

From September onwards it became clear that the United States of America was having a much increased influence on the gold market. The influence was twofold. Firstly as the dollar weakened progressively against the European and Japanese currencies, gold became a more attractive currency hedge. Secondly, in America itself Wall Street showed no signs of recovery and many investors decided to move out of shares in favour of commodities, particularly gold marketed through the Commodity Exchanges in New York and Chicago. This meant that a new spectrum of people had become actual and potential gold holders pushing the price further ahead until it reached a high of \$168 in November. As the American interest in gold became more apparent, there was a rub-off effect on the sale of Kruggerands which increased in line with the greater American demand for gold generally. For the whole year total Kruggerand sales were 3 000 000, an increase of 10 per cent over 1976 though still below the record figure of 1975.

Throughout the year the IMF continued to sell gold at its auctions. As from March 1977 these were held on a monthly basis, and at each \$25 000 March were offered for sale. The auctions have now become an integral part of the gold scene and no longer have any great effect on the market. Indeed, it now seems that without them the market would be under-supplied.

At times, during recent months, it has seemed as if the exchange value of the dollar is exerting undue influence on the price of gold, which has risen above \$180. But despite the fact that this may be affecting the price marginally, industrial demand has remained strong particularly in Europe where the Swiss Franc and Deutschmark price of gold has not advanced nearly as fast as the dollar price. This strong underpinning of demand means that there is every hope that gold will continue to move ahead steadily during 1978. Moreover, should the dollar continue to be weak and there be no recovery on Wall Street, the speculative element in the price can be expected to grow.

During 1977 the price of uranium remained firm in the world market place. Uncertainty of supply from Australia and Canada continued to

influence the market, but it was pleasing that the result of the Australian election, which appears to make the coming into production of their mines a greater possibility, had no visible effect on the price. Unfortunately, most of the contracts under which our mine is currently supplying uranium were concluded before the rapid increase in price. Nevertheless, many of them have since been renegotiated and while the price the mine now receives is not equivalent to the current world market price, it is considerably above that envisaged in the original contracts.

## Labour Matters

During the year, the gold mines of the Anglo American Corporation Group have been paying particular attention to the industrial relations needs of the era of relatively rapid change which we believe lies ahead and have run a large number of courses for white mine employees at all levels. We believe that the courses are having an important impact, not only on knowledge, but also on attitudes. In order to complement the changes which are required over the next few years and to ensure the best use of our manpower resources, it is crucial to develop amongst employees attitudes of mind which support the philosophy behind these changes. The white employee will always be an indispensable factor in the running of our mines but, not surprisingly, he views the advancement of blacks with some apprehension in terms of his own job security. We have therefore issued an informative circular to all white officials and union men in which we have set out, in general terms, the principles which will guide us. We have made it clear that there are no grounds on which racial discrimination can be justified and that no company in South Africa can escape its responsibility for improving the job opportunities available to its black employees. We undertake, however, that proposed changes in labour utilisation will be discussed with white employees and the associations and unions which represent them. Existing white employees are promised that they will neither lose employment with the company nor suffer a drop in pay as a result of any alteration in labour utilisation. Training opportunities are being offered to enable them to develop their skills. Moreover, an undertaking is given that no job held by a white employee will go to a black at a lower rate of pay on the sole criterion of reducing costs. Reference is made to the use of sound job evaluation techniques - in our case the Paterson Plan - to determine the work content of jobs and their rates of pay and to the maintenance of existing standards of work, selection criteria and training.

The circular was made available to all white employees on Anglo American gold mines and has not been the subject of adverse reaction other than in isolated instances. Further circulars will be issued from time to time to clarify aspects of our industrial relations policy. I sincerely hope that white employees will see in these circulars our determination to bring about changes in the labour field in such a way that they can confidently co-operate with us.

## Vaal Reefs Exploration and Mining Company Limited

Chairman: Mr. D. A. Etheredge.

Consolidated profit before tax, including net sundry income but after deducting the royalty payment to Southvaal Holdings Limited of R8 462 000 (1976: R227 000), rose by 10 per cent to R86 553 000. In contrast to the increase in profit, taxation and State's share of profit declined from R22 541 000 in 1976 to R14 284 000 as a result of the considerably higher capital expenditure in 1977 which is offset immediately against profit for tax purposes. The company's profit after taxation increased by 28 per cent to R72 289 000 and together with profit retained from 1976 of R8 276 000 provided a sum available for appropriation of R80 561 000. Appropriations for capital expenditure and loan repayments absorbed R47 789 000 and dividends of 115 cents a share (1976: 110 cents) accounted for R21 850 000. A further R7 000 000 was transferred to general reserve leaving retained profit of R10 922 000 to be carried forward into 1978.

Tonnage milled for the complex rose for the first time above 7 000 000 tons to 7 185 000 tons. Grade at 8.95 grams a ton was 1.09 grams below that of 1976 and partially reflected the continuing faulting and uncertain values in the South Lease area, which necessitated the mining of additional lower grade ore in the North Lease to fill surplus milling capacity. Gold production fell by 1 878 kilograms to 141 226 kilograms but the higher gold price received, R4 134 a kilogram (\$148 an ounce) against R3 314 (\$119 an ounce) in 1976, raised gold working profit by 12 per cent to R74 079 000 despite an increase of R670 in the unit cost per kilogram of gold produced to R2 989 (\$107 an ounce).

Uranium produced at 1 017 tons was slightly higher than in the previous year. On account of both higher sales volume and improved contract prices, profit on sales rose by R11 878 000 to R16 950 000. As uranium is now a significant source of income to the company, the figure of R167 30 000 quoted above for unit gold working costs should not be construed as a benchmark price for the company's operations. Moreover, in 1977, ore reserves were for the first time calculated using a composite pay limit whereby the payability of a mining block is evaluated on both its gold and its uranium content.

**Capital expenditure**

Capital expenditure in 1978 is estimated at R72 000 000, of which the major portion - R47 000 000 - is to be spent on increasing the company's uranium production. The other significant item is the continuing work to establish the No. 9 shaft system on which an estimated R12 000 000 will be spent in 1978. The high level of capital expenditure is expected to be repeated in 1979 but to fall from 1980 onwards after the additional uranium treatment facilities have been commissioned.

**Planned production**

Planned gold production for 1978 is 64 800 kilograms obtained by milling 7 200 000 tons at a recovery grade of 9.0 grams a ton. The forecast grade remains low but is expected to improve in 1978 and again in 1980 as Nos. 6 and 7 shafts are phased out and Nos. 5 and 8 shafts reach their full productive capacity.

## Southvaal Holdings Limited

Chairman: Mr. G. Langton

Total revenue payment to the company from Vaal Reefs increased from R227 000 in 1976 to R842 000, more than double the previous highest royalty paid in 1975. After adding interest received of R788 000 and deducting administration expenses and tax, profit amounted to R5 184 000 compared with R543 000 in 1976. Including retained profit of R335 000 brought forward from 1976, the amount available for appropriation was R5 519 000 of which dividends of 21 cents a share (1976: 6 cents) absorbed R5 460 000, leaving R59 000 to be carried forward into 1978.

**Nature of company's business**

Southvaal Holdings is not a mining company because it has no mining lease of its own, all the mining rights in the South Lease area having been waived in favour of Vaal Reefs. Its business is purely of a financial nature since its income is derived from a royalty from Vaal Reefs and from interest on loans. In an endeavour to make this point plain to the investing public, the company recently appealed to the Committee of The Johannesburg Stock Exchange that the listing of the company's shares, presently in the 'mining' section of the list, should revert to its original position in the 'financial' section. But the JSE regrettably found itself unable to accede to this request. However, the practice of including information on operations in the South Lease area in the company's chairman's statement will continue since the royalty is derived from these operations.

Tonnage milled rose by 23 per cent to 2 120 000 tons, so that despite a fall in grade by 0.34 grams to 9.77 grams a ton gold production increased by 3 348 kilograms to 20 176 kilograms. During the year, faulting and uncertain values continued to affect both production and grade from No. 8 shaft, and technical difficulties were encountered in achieving full capacity of the shaft's rock hoisting system. The unit cost per kilogram produced at R2 717 (\$97 an ounce) was 15 per cent higher than in 1976 but because of the higher gold price received, R4 135 a kilogram (\$148 an ounce) compared to R3 300 (\$119 an ounce) in 1976, gold working profit rose by 79 per cent to R29 617 000. Profit on sales of uranium increased by a slightly higher percentage to R3 080 000.

**Capital expenditure**

Construction of the new South uranium plant began during 1977. A project director with a contract management consultant team have been employed full-time on the project and the expected commissioning date has been advanced considerably to the third quarter of 1978 to take advantage of the continuing strength of the uranium market. Capital expenditure is estimated at R46 000 000 during 1978, of which the major portion - R26 400 000 - is to be spent on the new

South uranium plant. The other significant item is the continuing work to establish the No. 9 shaft system on which an estimated R12 000 000 will be spent in 1978.

## Planned production

New techniques of underground drilling are being used at No. 9 shaft to obtain valuable structural information ahead of development. In this way, it is hoped to overcome the problems of unforeseen faulting which have in the past restricted mining operations. Planned gold production for 1978 is 23 000 kilograms obtained by milling 2 300 000 tons at a recovery grade of 10.0 grams a ton.

## Western Deep Levels Limited

Chairman: Mr. G. Langton

Profit before tax increased by 18 per cent to R95 232 000. After meeting taxation and State's share of profit which amounted to R45 025 000, profit after tax at R50 207 000 was 14 per cent higher than in the previous year. With the addition of the profit retained from 1976, the sum available for appropriation was R56 524 000, of which R21 608 000 (1976: R19 088 000) was absorbed by capital expenditure and loan repayments. In addition, the directors decided to transfer R7 000 000 to general reserve, R5 000 000 more than in 1976, to improve the company's cash position and to provide for loan levies of R5 365 000. Accordingly, despite the higher profit, the company paid out dividends in 1977 amounting to 82.5 cents a share, 7.5 cents lower than in the previous year, leaving a retained profit of R7 291 000 (1976: R6 346 000) to be carried forward into the new year.

Tonnage milled at 2 977 000 tons was slightly higher than in the previous year, but gold production fell 1 053 kilograms to 43 479 kilograms. Grade dropped 0.53 grams to 14.61 grams a ton partly due to an underground fire, to which I refer later in the report, that broke out in June 1977 in the 109/86 long wall at No. 3 shaft, one of the highest grade areas of the mine. This necessitated expending production from other lower grade sections. Although this unit cost per kilogram of gold produced rose by R388 to R2 018 (\$72 an ounce), the gold price received by the company also rose sharply from R3 314 a kilogram in 1976 (\$119 an ounce) to R4 049 (\$145 an ounce). The consequent increase in profit margin - R2 031 a kilogram against R1 701 the previous year - raised gold working profit to R88 930 000 from R78 366 000.

Profit on sales of uranium increased from R1 719 000 in 1976 to R3 249 000. As uranium is now becoming a significant source of income to the company, ore reserves in 1977 were for the first time calculated using a composite pay limit whereby the payability of a block is evaluated on both its gold and uranium content.

**Capital expenditure and planned production**

Capital expenditure in 1978 is estimated at R26 000 000. Work on the tertiary sub-vertical shaft systems at both Nos. 2 and 3 shafts, which will allow mining operations below the 100 level to expand, is continuing. However, the advance is being restricted by the high stress levels associated with such depths which entail costly support of the haulages. Our planned gold production for 1978 is 43 200 kilograms obtained by milling 3 000 000 tons at 14.4 grams a ton.

## The South African Land and Exploration Company Limited

Chairman: Mr. N. F. Oppenheimer

Following the cessation of underground mining operations on December 31 1976, the company has continued operating its surface treatment plant, recovering gold from waste rock material from sources outside the mining lease area. Throughout most of 1977, waste rock was purchased from Power Crushers (Proprietary) Limited which supplied screened rock from dumps at the Betty and No. 3 shafts at the old Sub-Nigel Mine. The grade material, however, deteriorated markedly and this arrangement was terminated on November 27 1977, by which time the operation had become uneconomic.

In terms of the arrangements to which I have referred, 897 000 tons of gold-bearing material were processed during 1977 at a recovery grade of 1.82 grams a ton, and gold revenue totalled R7 722 000 for the year. Taking into account the sale of salvaged equipment and scrap (R101 000) and operating costs of R8 799 000, the company made an operating profit of R860 000. In addition, arising primarily from the sale of mining assets, an amount of R1 939 000 was transferred from profit appropriated for capital expenditure. Thus, after normal and recomputations tax totalling R831 000 and after including net sundry income and retained profit from the previous year, distributable profit amounted to R4 586 000.

## East Daggafontein Mines Limited

Chairman: Mr. N. F. Oppenheimer

The company terminated underground mining operations in November 1976. Since then, its activities have been confined to clean-up operations and salvage and sale of plant and equipment, and efforts have been directed towards achieving the best possible income for the company during its final period of existence.

The company's own initial gold clean-up operations, together with the royalty arrangements referred to, resulted in revenue of R1 011 000 in 1977. Taking into account the sale of salvaged equipment and scrap (R389 000), the sale of waste rock dumps (R210 000) and operating costs of R547 000, the company achieved an operating profit of R1 068 000. In addition, arising primarily from the sale of mining assets, an amount of R1 412 000 was transferred from profit appropriated for capital expenditure. Thus, after normal and recomputations tax totalling R827 000 and after including net sundry income and retained profit from the previous year, distributable profit amounted to R1 915 000.

A dividend of 20 cents a share was declared in December 1977, which absorbed R746 000, leaving retained profit of R1 169 000 to be carried forward into 1978. The results for the year were exceptionally good, particularly compared with those of the previous two years, when losses were incurred even after substantial State assistance.

The Annual General Meetings of these companies, all of which are incorporated in the Republic of South Africa, will be held in Johannesburg, South Africa, on April 27, 1978. Copies of their annual reports may be obtained from the London Office at 40 Holborn Viaduct, London EC1P 1AJ or from the office of the United Kingdom Transfer Secretaries, Charter Consolidated Limited, P.O. Box 102, Charter House, Park Street, Ashford Kent TN24 8EQ.

# 10% growth aim for telecommunications

BY MAX WILKINSON

AN ANNUAL increase of 10 per cent a year in telecommunications exports from the U.K. to the end of the decade is the target set today by a National Economic Development Council Sector Working Party.

The Industrial Strategy report of the Telecommunications working party says: "This implies a world trade share by 1980 of 6 per cent, which is an ambitious target in the circumstances."

However, the report says that the statistics on which this objective are based are inconsistent and considered by the industry to be unreliable.

The industry's own forecast is that total production will increase from £457m in 1977 to £527m in 1981 at 1977 prices, a rise of 15 per cent over the period.

## Rise in exports

Exports are expected to increase over the same period from £97m to £142m, a rise of 46 per cent. Sales to the Post Office are expected to increase by only 8 per cent to £31m.

The fastest increase is expected to be in sales of transmission equipment which is forecast to account for 20 per cent of total capacity by 1981 compared with 14 per cent in 1976.

By 1981, the industry hopes that 26 per cent of its production will be for export compared with only 14 per cent in 1976.

The report records that world trade in telecommunications equipment has been rising at the rate of about 13.5 per cent a year

since 1963 by volume to reach \$2.6bn. by 1975.

It expects the increase to continue at around 10 per cent a year in spite of the lower growth prospects for OECD countries.

In 1976, the report says, the sector achieved a balance of trade surplus of £50m, on sales of £518m. Exports have risen slowly, but the U.K.'s share of the world market has fallen from 10.5 per cent in 1970 to 5.9 per cent in 1976.

The working party comments: "This is a continuation of a long term downward trend: in 1963 the U.K. and West Germany each had a 25 per cent share."

"Now the U.K. is lying seventh behind Sweden (22.1 per cent), West Germany (20.4 per cent), Japan (9.3 per cent), Belgium (7.9 per cent), U.S. (7.5 per cent), and France (7.3 per cent)."

Import penetration has also risen from 3.5 per cent in 1967 to 14 per cent in 1976, but this is not such an immediate cause for concern since the increase is due to factors which are not expected to recur, such as the £40m import of two international exchanges ordered in 1974, for which payments were spread over three years.

This notwithstanding, concern has been felt over the success of IBM in the private branch exchange (PBX) field, with its stored programme control 3750 system. Comparable exchanges are now becoming available from U.K. manufacturers and it is expected that the incursion of imported products

will be progressively curtailed in the future.

The report adds: "World trade is dominated by exchange equipment and the failure of the U.K. to have available an up-to-date and comprehensive range of switching equipment has been the major contributing factor in the loss of market share."

The fastest loss of market share, says the report, has been in the highest growth areas of South America and the Middle East.

A recovery of exports must therefore depend on the successful development of a new computer-controlled all-digital range of exchanges which the Post Office is developing with the manufacturers under the name of System X.

## Trained manpower

The working party says the first digital trunk switching centre is to be in service by the end of 1982, and first exports could be achieved by 1983. "When it is in service, Post Office procurement of System X equipment is estimated at about £30m."

The working party recommends that special efforts should be made to ensure that an adequate supply of trained manpower is available for the production of System X.

Total employment on switching and related products is expected to fall from between 39,000 and 42,000 in 1978 to between 38,000 and 41,000 in 1981, but the skills required in the industry will change considerably.

# Tories seek business exemptions

Financial Times Reporter

EXEMPTIONS FROM U.K. tax, employment and financial legislation are proposed for proprietary companies - the Conservatives' concept of new grading for small businesses - in a document published yesterday by the Small Business Unit.

Proprietary companies would no longer have to file accounts at Companies House. They would pay lower rates of corporation and capital transfer tax, and the investment income surcharge would be scrapped.

They would be mostly exempt from paying the industrial training levy, as well as from filing statistical information with the government.

Employment protection legislation, which makes it mandatory for companies to re-hire women after they had had a child, would not apply.

Proprietary company status should be granted to businesses employing fewer than 50 people, with annual sales of less than £500,000. More than 350,000 companies would fall into the new category.

"The main effect of this plan, which set out in greater detail a Tory idea first floated 18 months ago, would be to free small companies from onerous Government legislation."

Towards the Proprietary Company, by Joe Haydon, F.C.S., published by the Small Business Unit, 25 Abchurch Lane, London, E.C. 4A, price £1.00.

# Chrysler U.K. jubilant over Linwood boost

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

CHRYSLER U.K. has set an ambitious profit target for 1978, and is now taking steps towards breaking free of Government support.

Senior executives are jubilant at the dramatic rise in output at the troubled Linwood plant, Scotland, and the fact the company is operating profitably for the first time since the Government rescue negotiated in 1975.

Encouragement is taken from an initiative by the Linwood trade unions to set up joint committees with management to raise productivity further.

The Linwood works have made it clear to the workforce that the plant must operate profitably in order to generate the funds necessary for the introduction of a new model in the early 1980s. Without a new car, jobs in Scotland would be placed at risk.

Encouragement is at last rising within Chrysler that a turning point might have been reached

after suffering losses of £53m, and £21.5m, in the past two years. The company, owned by Mr. Eric Varley, Industry Secretary, and the U.S. parent company that additional funds will not be forthcoming seems to have struck home.

Output at Linwood this month is running at record 88 per cent of target. The future of the Ryton plant, Coventry, is assured following the decision to locate production of a new light car there next year.

Ryton will supply the new vehicle, a four door derivative of the successful Alpine, through the European market. Output will be trebled from the present 40,000 a year to around 120,000 - a move which will take employment at Coventry near to the levels prior to the 1975 financial collapse.

The new car will mark a further stage in the integration of Chrysler's European operations and strengthen the company's model range.

## Grant for coalfield study

THE INSTITUTE of Planning Studies at the University of Nottingham has received a grant of more than £7,000 from the Social Science Research Council for a research project entitled "The planning system and major industrial development: a study of the Belvoir coalfield."

The planning system and major industrial development: a study of the Belvoir coalfield. The project is part of a research programme at the Institute concerned with planning policies.

energy and environmental issues, including a study of the Belvoir coalfield and Cotgrave colliery in Nottinghamshire.

The Belvoir study has the encouragement of the East Midlands Economic Planning Council. It will determine the compatibility of the National Coal Board's proposals for the Vale of Belvoir coalfield with existing planning policies.

## SELECT COMMITTEE CRITICISES 'LACK OF INFORMATION'

# MPs attack immigrant policy

STRONG CRITICISM of the Government's handling of immigration was made yesterday by a Select Committee of MPs report on race relations and immigration.

The report urges the Government to "make it unequivocally clear that in the foreseeable future there will be no further major primary immigration and that such immigration will only be allowed in exceptional individual circumstances."

Primary immigrants are those who enter the U.K. to establish themselves and their families, rather than those who join relatives already in the country.

The MPs in their report are concerned that the Government and public are not kept adequately informed about immigration statistics. "Some of our specific inquiries remained unanswered because the information was not recorded or not deducible from the statistics available, and officials and Ministers often frequently must be without the information necessary to make reasoned judgments."

The Home Secretary, therefore, is urged to "improve and enlarge the official information available on immigration."

The report points out that patrials, citizens of the U.K. and Colonies who live in the U.K. after residence abroad or Commonwealth citizens who have a U.K.-born parent, have a right of abode under the 1971 Immigration Act and may settle in the U.K. without being subject to immigration control.

For this reason, the number of patrials who enter the U.K. for settlement does not appear in Home Office statistics, the report says.

The committee therefore recommends that the entry of patrials who enter the U.K. to settle after permanent residence abroad should be recorded.

The committee also points out that with the vast increase of international travel the present sys-

tem of immigration control has come under great pressure. With the growing recognition of the problem of over-stayers, the present system is "inadequate."

In the U.K. whatever the system of control on admission, it seems to us that there is now a need for greater and more effective internal control. We therefore, in addition to the other recommendations that we have made, recommend that the Government should institute an independent inquiry to consider a system of internal control of immigration.

Overstayers

A major concern, according to the report, is the problem of people who overstay their right to be in the U.K. However, there was insufficient information available to make any realistic estimate of its extent.

"Nevertheless we feel justified in recommending that the police, the Immigration Service Intelligence Unit and other authorities should be afforded substantially more resources to trace overstayers and to tackle all aspects of illegal immigration."

The committee said it believed that a check on the employment of overstayers was important and was not satisfied with the progress made by Government departments so far.

"Accordingly, we recommend that the Government should introduce measures, if necessary by legislation, to provide effective sanctions against employers who knowingly employ overstayers and illegal immigrants."

The Department of Health and Social Security is also urged to introduce without delay new procedures to tighten up identity checks and to improve the issuing of national insurance numbers to new applicants.

The committee drew what it considered an important distinction between primary and secondary immigration. "We

believe that present economic and employment prospects give no ground for any expectation that there will be scope for primary immigration in the foreseeable future." The Government is told that it should make this fact clear.

"Furthermore, we are convinced that the law of nationality needs re-statement and revision," the report states. The committee agrees with the Government that this would offer a more rational basis not only for citizenship but also for immigration control.

But the report recommends that "the Government give priority to their consideration of British Nationality Law with a view to publishing a White Paper on their proposals."

The committee says it has made its recommendations because "We feel that, at present, the information available is inadequate and that it is evidence that some aspects of immigration control may be ineffective. We believe that positive action upon our recommendations is necessary to establish public confidence."

On political asylum, the report says that "opportunities of refugees to secure asylum in the U.K. should remain unimpaired."

It adds: "It seems inevitable that there will be a continuing need for such asylum and we regard the maintenance of the U.K.'s historically long and proud record of generosity as of great importance and value."

But the committee says that political events can create large-scale refugee problems and those from Commonwealth countries, must now be dealt with by international action. "Except in the case of, perhaps, remaining British dependencies the U.K. can no longer accept sole responsibility."

The report calls for a further tightening up on the admission of workers without work permits

# Waterway clean-up a slow process

By Kevin Dore

RIVERS AND canals are gradually becoming cleaner, but the improvement is a slow process. The report of the River Pollution Survey of England and Wales, published yesterday, shows that a net length of 215 miles of rivers and canals have been upgraded since 1972.

The survey, which was carried out in 1975, classifies waterways in four categories: unpolluted; doubtful and needing improvement; poor and requiring urgent improvement; and grossly polluted. Since 1972, 979 miles of rivers and canals have been upgraded, but 764 miles have slipped into lower categories.

The main improvement in the chemical quality of the water has come in classes three and four with a reduction in the length of polluted non-tidal rivers. Canals generally show an improvement and there has been a reduction in the length of grossly polluted tidal rivers.

## Discharges

Sewage effluent discharges into waterways have increased, but industrial discharges have been reduced, partly because more has been diverted through the public sewers. Crude sewage discharges have also been lessened, particularly to non-tidal rivers.

The biggest concentration of grossly polluted rivers are in areas covered by the North West, South-East and Yorkshire Water Authorities. Some 341 miles of rivers in the North West are so dirty that they cannot support fish life, smell offensive, and are completely lacking free oxygen. About 336 miles of river in Yorkshire are in this category and 252 in Severn-Trent.

The worst affected river system is the one flowing into the Humber. Some 244 miles of the Rivers Don, Calder, Aire and Ouse - flowing through the industrial areas of Leeds, Dewsbury, Castleford, Wakefield and Rotherham - are grossly polluted. And some 135 miles of the Rivers Trent and Tame are grossly polluted in the Midlands as they pass through Birmingham and flow north to Tamworth and Burton upon Trent.

## LABOUR NEWS

## Williams flies home for teachers' talks

BY ALAN PIKE, LABOUR CORRESPONDENT

MRS. SHIRLEY WILLIAMS, the local authority employers and Education Secretary, has returned to the U.S. She will return to London today as wage drift arising from incremental negotiations resume in the teachers' pay dispute.

It is expected that the management side of the Burnham Committee will consult Mrs. Williams before meeting the union in the afternoon. On Monday night, union representatives rejected an improvement in the employers' offer from 9 to 9.5 per cent, but agreed to further talks to-day.

Members of the two biggest teaching unions, which have asked for 12.5 per cent increases, are banning voluntary duties in support of their claim.

To-day's discussions between

which the Burnham Committee gave 22 schools in deprived areas social priority status.

Mr. Justice O'Connor said yesterday that in giving the Burnham Committee power to designate social priority schools, rather than leaving the decision to local authorities, the Secretary of State had merely enabled the committee to make convenient and lawful adjustments to lists put forward by councils.

Mr. Sam Fisher, a Communist and leading figure in the National Union of Teachers, unexpectedly lost his seat on the union's executive in elections declared yesterday. The general political balance of the 44-strong executive remained unchanged.

## Salaries plea by D. C. Thomson

BY OUR OWN CORRESPONDENT

D. C. THOMSON, the Dundee newspaper publisher, warned yesterday that many of his publications would be viable no longer if their journalists were paid the same salaries as those on national newspapers.

In evidence to the Central Arbitration Committee in Glasgow, the company said that the establishment of such pay links with national papers would have severe repercussions in its other departments, and in provincial newspapers based outside London.

The committee is hearing a claim by the National Union of Journalists under Schedule 11 of the Employment Protection Act for comparability on pay to be established between journalists in the Glasgow office

of the Thomson-owned Sunday Post and Weekly News, and those working for the Sunday Mail and Scottish Sunday Express in Glasgow.

The company, with a long history of resisting union recognition, is presently fighting the union's attempt to recruit journalists in its Glasgow office where 14 out of a total staff of 36 have joined the union.

Mr. J. Stuart Fair, a solicitor for the company, told the committee that there was no basis on which to compare the Sunday

Post or Weekly News with any national newspaper whose Glasgow-based journalists were paid about the same rate as their colleagues in London.

Yesterday's meeting was adjourned until May 18.

## Health officers' pay rise

Pay increases of 8.9 per cent have been agreed for 2,500 regional health authority staff who are members of the National and Local Government Officers' Association.

The increase, which will run from April 1 for chief officers and from July 1 for other staff, is made up of a 10.3 per cent increase on 1975 pay scales and consolidation of supplements from stages one and two.

The agreement will not be binding for 12 months so that a common settlement date of April 1 for all regional health authorities work staff can be tried for next year.

## Levland stoppage

Mini production at Leyland's education.

Longbridge plant stopped yesterday because of a dispute over a foreman who showed a worker how to do his job. About 250 men in the Birmingham West Works body shop, mostly sheet metal workers, stopped work over the incident. They were joined by another 250 colleagues yesterday morning.

## Budget plea

THE CHANCELLOR must stimulate the economy substantially in the Budget if the growing problem of unemployment is to be dealt with, Mr. Ken Graham, an assistant general secretary of the TUC, told a Manchester conference of representatives from industry and education.

## Sam Silver retires to fight for the pensioners' cause

BY PAULINE CLARK, LABOUR STAFF

SAM SILVER, a former engineering branch secretary for the Transport and General Workers Union, boarded the train home from London to Wiltshire yesterday "raring for battle" with the Salisbury district council over its failure to grant concessionary bus fares to old people.

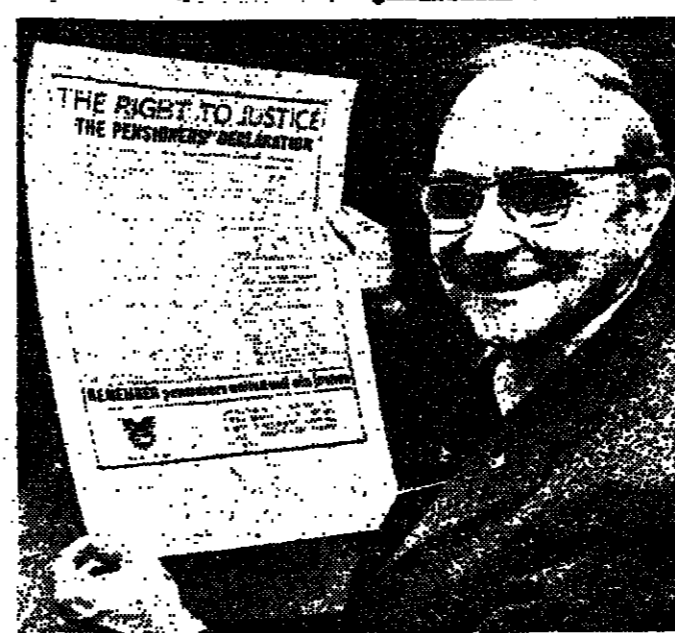
Mr. Silver was one of about 30 TGWU retired members who, at a special conference in Transport House yesterday, pledged themselves to promoting solidarity among Britain's nine million retired workers and other pensioners.

The programme for action includes a plan for pensioners throughout the country to knock on the door of every MP in a drive to persuade the Government to improve the pensioners' lot.

Mr. Jack Jones, who retires as general secretary of the union on March 29, was unanimously elected by the conference as president of the campaign.

Although Mr. Jones will be retiring on his union pension (he declined yesterday to disclose the amount) he emphasises that the chief mission of the campaign must be to secure a better State pension on which he says nearly 60 per cent of manual workers depend.

With the cooperation of the National Federation of Old Age Pension Associations and other old people's campaigning groups, the TGWU retired activists will be fighting for pensions to be raised to 60 per cent of average earnings for a married couple



Mr. Jack Jones, general secretary of the TGWU, with the declaration.

and 33½ per cent for a single person. This would increase the current payments from £28 to £37.50 and £17.50 to £23.50 respectively.

In a seven point "Pensioners' Declaration" adopted by the conference, the first step in the campaign will be to persuade MPs to press for "a big increase in the basic State pension" in the April 11 budget and alleviation of the

## Builders' pay deal delay is likely

BY CHRISTIAN TYLER, LABOUR EDITOR

CHANCES of an early conclusion to national wage negotiations for 700,000 building and civil engineering workers receded yesterday.

The seven-man executive of the Union of Construction, Allied Trades and Technicians, is considering the rare step of calling a conference of the union's 12 regional committees to consider the employers' offer.

It seems unlikely that any agreement will be reached before the union's militant biennial delegate conference meets early in June.

The employers were anxious to settle the deal before that conference in case it tried to instruct negotiators to take a much harder line over the Government's 10 per cent earnings limit.

They usually plan to reach agreement well before the due date—now June 26—to fix rates

in time for new contract tender UCATT has broadly accepted the 10 per cent limit but disputes the employers' calculations of the average earnings figure to which the increase would be applied. It is also contesting the way the employer intend to treat consolidation of existing, substantial supply

ments. The new UCATT executive, which the Left has considerable doubt, did not vote on the issue yesterday. But it was thought unlikely that the next negotiating session between the four union involved and the building and civil engineering employer would produce a result.

The offer so far is thought to be about 9.5 per cent of total earnings, or just over £7 a week on average, based on employers' calculations of current earnings. Present minimum earnings are £52 a week for craftsmen and £48.20 for labourers.

## Lucas stewards discuss closure

SHOP stewards from Lucas Aerospace factories, threatened with closure and redundancies meet today in Birmingham to discuss action against the Lucas decision.

A deputation of Labour MPs from areas where the 17 Lucas Aerospace plants are based is to see Mr. Albert Booth, Employment Secretary, next month about the closure and redundancy plans.

Mr. Max Madden, MP for Sowerby and the Labour Party's employment group chairman said yesterday that the MPs want the Government and Lucas management to consider the shop stewards' alternative corporate plan for introducing new products.

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Unemployment of adults fell in the last month in all regions except the West Midlands, northern England and Northern Ireland. The biggest improvement was in the south-west, where the number of unemployed fell 2 per cent, to 104,700 (seasonally adjusted). The total fell 1.4 per cent, in the north-west of England and 1 per cent, in the south-east. The only significant increase was in Northern Ireland, where the number out of work rose by 1.4 per cent, to 59,700.

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# The Management Page

EDITED BY CHRISTOPHER LORENZ

THE SMOOTH running of the Civil Service is currently facing a severe challenge, not from disgruntled politicians or trade union extremists, but from the simple fact that from 1979 to 1983 four out of every ten top-ranking civil servants are due to retire.

This retirement bulge — a result of heavy recruiting in the late 1940s — is causing considerable concern in Whitehall because of its likely detrimental effect on efficiency. When this unusually large proportion of senior management is replaced by newly-promoted younger civil servants the problem will be to find administrators of sufficient calibre to fill the vacant posts. And since the retirement of senior management means rapid recruitment at lower levels of the organisation, it poses the threat that a similar "bulge" could follow in 30 years time.

Despite this concern last week's Government White Paper on the Civil Service failed to devote any attention to the problems of manpower planning in the largest and most labour-intensive centrally controlled organisation in Britain.

A retirement bulge is a classic problem of manpower planning. Ironically the Civil Service with almost three-quarters of a million employees is probably the world's leading exponent of manpower planning. Its sophisticated computer models are used by a number of major companies to help plan their own use of manpower.

So what went wrong? Why did the Civil Service, with all the resources at its disposal, not foresee the retirement problem — and remedy it earlier?

The answer highlights the limitations of manpower planning — it can only offer alternatives of future human resources based on present assumptions. As with all computer-based models, it is only as good as the assumptions made, and these have to change with shifting circumstances.

Two years ago the Civil Service was growing at 3.5 per cent a year — now, as a result of purely political decisions, it is contracting at a similar rate. Given a change of Government and a change of policies, the rate of growth is likely to fluctuate again.

It is also difficult to plan for such factors as the effect of pay policy. New statistics suggest that more civil servants are quitting than had been expected, contrary to Whitehall expectations that high unemployment in the economy would reduce Civil Service wastage. This is largely due to the higher pay levels now available in the private sector.

But while it cannot predict the future, manpower planning can help smooth out the basic fluctuations — such as a retirement bulge. And it is in this area that the sophisticated Civil Service computer models and methodology can come into their own, by illustrating the options available.

The cause of the bulge was the rapid expansion of the bureaucracy after the Second World War. This was followed by a period of low recruitment during the 1950s and then further rapid growth since the early 1960s. The result has been a "two-humped" age structure. There tend to be large numbers of young staff, relatively small numbers of staff

## How the Civil Service is fighting the battle of the bulge

BY DAVID CHURCHILL

in their late 30s/40s, and large numbers of Civil Servants over the age of 50.

The main effects are felt among senior grades of the Administration Group, which forms the bulk of the bureaucracy. Some 40 per cent of civil servants in the Principal grade and above are due to retire between 1979 and 1983.

tish Office, Education and the Treasury.

According to internal Whitehall analysis of the bulge, the likely consequences are four-fold:

- An exceptionally high turnover in some grades or jobs during the retirement peak.
- "Sufficient to affect efficiency."
- Difficulties in finding enough

rates during the retirement run-out," it says.

The bulge is being smoothed out in two ways. Since last spring, civil servants have either been taking voluntary early retirement or have been asked to stay on beyond normal retiring age.

The likely effect of various levels of early retirement is calculated through the model to see what changes occur at every grade before any decision is implemented.

### MANPOWER PLANNING IN THE PUBLIC SECTOR

Of senior Executive Officers some 30 per cent are due to retire. The bulge is concentrated at this senior level because retirement for top civil servants is at 60, compared with 65 for the bulk of the clerical grades.

Some specialist groups such as the Science Group have no serious age bulge problem because of steady recruitment. Others, such as economist, statistician and psychologist groups, have age bulges of younger staff which will not form a retirement bulge for another 30 years or so. The departments most affected include the Ministry of Defence, Trade and Industry, the Scot-

"promotable" staff (that is, of sufficient quality and experience) to meet demand during a period of high promotion rates.

- An increase in the demand for recruits.
- The danger that heavy recruitment will create a new age bulge, eventually leading to a further retirement age bulge in about 30 years.

Coping with the problem of the bulge will be worsened, points out the Whitehall memorandum, by a period of growth and contraction of the Civil Service before the retirement peak starts. "This could leave some grades poorly stocked with 'promotable' staff factors, such as ill-health or a refusal to work longer when the

individual departments facing the "bulge" present the Civil Service Department with detailed computer-generated models of the specific results of both delayed and early retirement, and the potential effect on promotion rates and availability of managers further down the hierarchy.

In practical terms, early retirement is the most feasible policy as delaying retirement until the end of the bulge depends on too many in-between factors, such as ill-health or a refusal to work longer when the

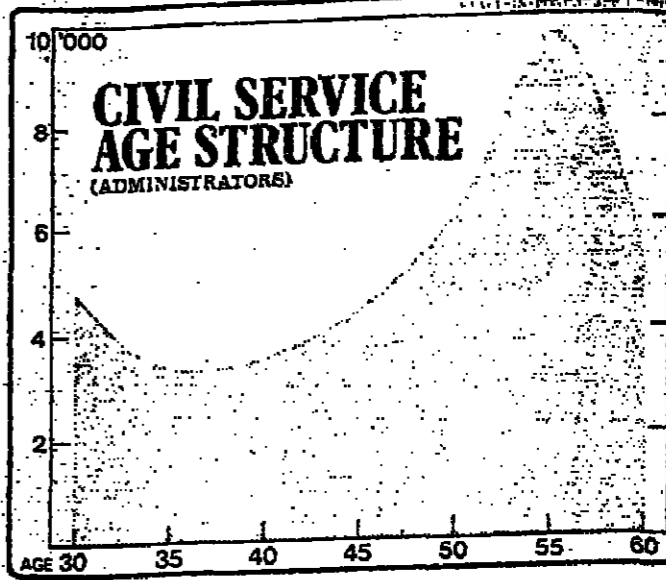
time comes. Thus Civil Servants who opt for early retirement are offered lump sum compensation plus their index-linked pension. Not surprisingly, there has been no shortage of volunteers.

The models and methodology used by departments in smoothing the effects of the bulge have mainly been developed since the late 1960s. The first model of a Civil Service "class" was programmed and run on a computer early in 1969. But, according to the authors of a recent comprehensive study of Manpower Planning in the Civil Service (HMSO, £10) "this gave only a glimpse of what could be done." More work was necessary especially in establishing valid statistics before more sophisticated models could be developed.

Management confidence also had to be won before real progress could be made. One way of doing this might have been to try to offer managers extremely detailed and "lifelike" models of their manpower systems. "However," the Civil Service manpower experts point out, "an actual manpower system is so complex that its underlying structures are even now not fully understood in detail."

Thus, any attempt to produce a highly realistic model quickly would have been almost certain to fail, and the complexity of the result would have been confusing rather than enlightening. Instead, the models constructed initially were fairly simple, concentrating on what were felt to be the most important aspects of the system.

As soon as management accepted the reliability and usefulness of these simple models, which were based on easily defined assumptions, further elaboration of the models followed. The first major model



to be developed was called KENT (after the university where it was developed). This was extremely simple in its concept, dealing only with the age of future manpower and different grades — not seniority or length of service — but its very simplicity meant that results were easily verifiable from a commonsense point of view.

To provide good basic data of personnel records for the subsequent, and more sophisticated models, a separate model was established, called PRISM. Linking together the manpower models with a network of computers and terminals, an integrated system called MANPLAN. This provides the manpower planning facilities for carrying out sensitivity analysis for linking the models to run a complete manpower planning exercise in sequence, and for carrying out regular revisions of operational studies at the "press of a button" whenever new data becomes available.

The system includes a graph-plotting visual display, which is useful in conference settings to illustrate assumptions and alternative policies. The MANPLAN model is commercially available and is being successfully used by a number of large companies. Whitehall has hopes for manpower planning, but also to improve promotion prospects and working conditions for staff. As Peter Jones, secretary of the joint management and unions negotiating machinery, points out, the first ever Civil Service strike was not over pay. "It was in the DHSS in 1972, over inadequate staffing and pressure of work. It has happened since, and it will happen again, so the manpower sums have got to be done properly if serious discontent is to be avoided."

## Not just a crisis measure, more a way of company life

### MANPOWER PLANNING IN THE PRIVATE SECTOR

MANPOWER PLANNING in the private sector is usually introduced in response to specific problems or a short-term crisis, according to a new survey of 12 companies using manpower planning techniques. But the survey, published jointly by the Manpower Services Commission and the National Economic Development Office, found that most companies tend to keep and develop manpower planning once the immediate difficulties were past. The definition of manpower

planning used in the survey involves "a continuous process of planning and adapting manpower to changes in international product markets, labour markets, technology, and national economic and social policies."

The survey was carried out at the suggestion of the Chancellor of the Exchequer to provide some case study material on

company manpower planning in practice. A considerable amount of information about the theory and techniques already existed, but little was known about how manpower planning systems actually worked at company level.

Twelve companies, who are not identified, were chosen as practical examples from a wide range of industries, employing between 2,000 and 101,000. The research was not so much concerned with the techniques of these companies, and the most effective organisational structure.

Most of the companies in the survey regretted that they had only introduced manpower planning as a response to a short-term problem. Some were forced into action because of surplus manpower due, for example, to a merger. A few, however, needed to provide adequate future supplies of skilled manpower, including managerial staff.

But all the companies recognised that a continuing commitment to manpower planning was worthwhile. The survey report points out that a short-term "hire and fire" policy, which is the opposite extreme to a manpower planning approach, can impose serious constraints on a company, apart from the immediate costs of redundancy. These costs include the loss of a skilled labour force and the subsequent need to recruit and train new staff.

Evidence from the case studies shows that the main requirement for an effective manpower planning system was an adequate supply of data. For this, information is needed on individual characteristics of employees, such as age, skills, location, as well as overall labour force trends, such as absenteeism and earnings.

A number of companies made use of computer simulation models, in particular for forecasting manpower trends within the organisation. But the report maintains, such models are by no means necessary for manpower planning. "What is required is a methodical approach to analysing available manpower information and identifying likely future trends." Yet, as the Civil Service has found, it is difficult to plan for large numbers without the use of a computer.

Any means of manpower planning, however, includes a considerable degree of uncertainty. But the companies studied did not regard this uncertainty or the difficulty of forecasting as a reason for not planning manpower in a systematic way.

Manpower planning enabled them to foresee changes and identify trends in the labour force earlier than would otherwise have been possible. This meant that employment policies could be adapted in good time so as to avoid major problems.

There are a number of ways in which short-term manpower adjustments can be made to be in line with business requirements, the report suggests. These include shift and overtime working, internal redeployment of manpower, altering delivery dates, and changing stock levels. If jobs have to be cut, this can be achieved through natural wastage. Manpower planning was generally a staff, as opposed to a line management, function, and among the companies surveyed it was usually the responsibility of the personnel or industrial relations department. The main benefits to the companies in the survey of effective manpower planning systems were:

- greater awareness of current labour force trends and their possible future consequences;
- a better understanding of the implications of alternative employment policies;
- improved controls against plans and budgets;
- a basis for meeting current

and future legislative requirements.

The case studies raised a number of basic practical issues. The commitment of senior management is essential if manpower planning is to be given the right degree of priority. In putting systems into practice there is a need to identify where the responsibility should lie. But it should not be carried out as a technical exercise by

specialist managers; employees and union representatives should be involved in the process.

The studies illustrate clearly, says the report, how the techniques of manpower planning can make a significant contribution to business performance for a diverse group of companies.

Case studies in Company Manpower Planning, £2.74 including postage, from NEDO books, 1, Steel House, 11 Totter Street, London, SW1H 9LJ.

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### BUSINESS PROBLEMS

BY OUR LEGAL STAFF

#### Assets and liquidation

Where a company has a nominal capital of £100 and the remaining assets belong solely to the shareholders, could not they be paid to them without the formalities of a liquidation? Could not the company simply be struck off the Register?

There is nothing to prevent the termination of a moribund company by allowing it to be struck off the Register pursuant to Section 353 of the Companies Act 1948 — and this course is frequently adopted. Yet cannot however, transfer assets to the shareholders (without consideration) otherwise than in the course of a formal winding-up. The company's assets must therefore have been disposed of properly before striking off is incurred.

#### Development planning

I bought an old building in 1972 with planning permission to

demolish and rebuild. I now wish to go ahead, but the Planning Authority states that the permission has lapsed. But is not the demolition of the old building the commencement of the project for which I obtained permission?

The time limit for the commencement of development under a planning consent will be defeated if a "specified operation" has occurred within the

time limit. Section 43(2) of the Town and Country Planning Act 1971 sets out the matters which constitute specified operations. Mere demolition is not one of them.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

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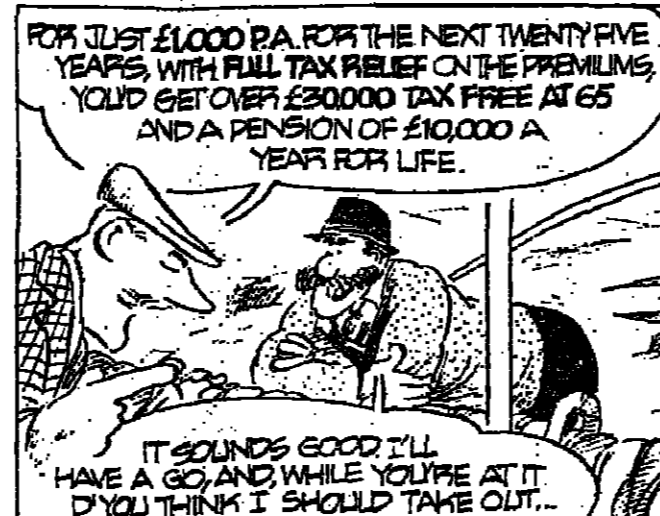
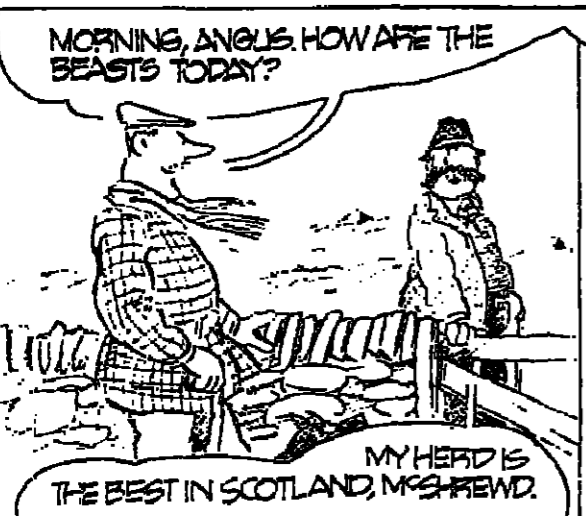
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IT'S GETTING BETTER ALL THE TIME.

## FINANCIAL TIMES SURVEY

Wednesday March 22 1978

Spending  
for  
the  
futureBy Kenneth Gooding  
Industrial  
Correspondent

OF ALL the key U.K. engineering sectors the foundries are probably doing the most to bring themselves up to date and therefore prevent in future those severe bottlenecks in supply which put such a brake on the output of many of their customer industries during past periods of booming demand.

After many years when the foundries did not spend as much as they should have done on modernisation, they are currently going through a phase when expenditure will reach at least £375m. over the next four years.

The big spending is only part of the picture. The foundries are also taking the opportunity to introduce better management methods and to improve the transfer of technology within the industry.

For example, one of the major problems in the past has been that the industry, made up as it is of many smallish foundry companies which are often subsidiaries of bigger groups, has in the bad times indulged in severe price-cutting. However, the boom periods have not been very profitable either. In most cases the individual foundries find themselves in the position of the small supplier dealing with a big customer and a customer which often did not hesitate to lean heavily when prices were being discussed.

As a result the industry has not made the profits it needed if it was to invest adequately in new equipment. Even a modern foundry can be noisy, dirty and sometimes dangerous. One that has been allowed to run downhill for many years can present appalling working conditions.

## FOUNDRIES

Severe bottlenecks in supply have hampered foundry profits in the past. But as a result of the present modernisation efforts the industry is more confident of being able to match future demand.

But a recent innovation in the industry is a service offered by the Ironfounders National Association which gives the "national average cost" of producing particular types of castings. Subscribers to the service put their own details into the system and can see how their own performance matches up to the "national average." This obviously goes one better than the more usual method of judging a foundry's performance by looking at the financial ratios of other companies in the industry. Any foundry management which finds its own costs apparently well out of step with the "national average" for the particular castings its plant produces will obviously want to know why.

## Suspicion

Perhaps more important, by permitting small foundries to get to grips with their real costs, the service should have an impact on prices. In the past there has been a suspicion that some foundries have not been aware of their true production costs and have cut their prices below that level.

As a result of the modernisation efforts which are going on, the foundry industries are confident that they can match future demand in the medium term at least (although, naturally, there could be the odd area where the right balance will not be achieved). However, there is one big difficulty at the moment when it

comes to forecasting what the future has in store for the iron and the non-ferrous foundries. The U.K. motor manufacturers, between them representing the biggest individual market for castings, are not (not) keeping the foundries informed about their future demand.

Both the foundry sector working parties involved in the industrial strategy programme at the National Economic Development Office have complained about the situation in their recently-published 1978 progress reports.

The ferrous foundry "Little Neddy" pointed out that "a particular problem is that high volume casting capacity needs to be planned and dedicated to serving this (automotive) market, if full productive performance is to be achieved. The absence of a dialogue with customers, including discussion of their plans for in-house production of castings, has caused great uncertainty among independent foundries as to their investment plans. The fear is that without a better planning dialogue, over or under-capacity will result in this sector."

The in-house plans of Ford and British Leyland are of particular importance to the industry as between them their foundries already account for perhaps one third of the volume of automotive castings produced in the U.K. Any significant expansion of contraction of this capacity would leave the independent suppliers struggling unless fair warning was given. Mr. David Atkins, the new

chairman of the Council of Ironfoundry Associations, wrote recently to Mr. Michael Edwards, British Leyland's chairman, pointing out that the delays in a decision about Leyland's foundry business have put some of the CFA members in a difficult position because they plan significant investment with the help of the Government's aid scheme.

"Many of them are in the automotive sector and they now face crucial decisions as to whether to proceed with their plans or to modify them in the light of the changed market. We know that British Leyland's vehicle production targets have been changed dramatically but we do not know if the foundry plans are now being related to the achievable vehicle output."

"We want as an industry to be in a position to be able to back British Leyland with adequate supplies of castings in the future, but we fear some of our members may take the wrong decisions now because of the continued delay in taking a decision about British Leyland's foundries."

NEDO has attempted to get a reasonable idea of what might be expected of the suppliers of automotive castings and sought estimates of castings demand to 1980-81. This projected a growth of demand of about 30 per cent. on 1976 levels. However, "the industry is not (not) convinced that this estimate is reliable and... would wish to establish better contacts with this major customer sector." It is not only the automotive

industry which the foundries serve. They supply a wide range of industries and their importance is disproportionate to their size in terms of either output or employment.

While the different types of foundries face many common problems—such as Health and Safety legislation, anti-pollution laws and difficulties with manpower and recruiting, the technology employed by each type of foundry is different and so too are some of their markets and prospects. While the automotive sector is the most important customer for the iron foundries, for example, it is of little interest to the steel foundries whose best customers are manufacturers of construction equipment and of valves.

The main metals used in non-ferrous castings are aluminium, zinc and copper alloys while the important markets are the motor industry, construction and domestic hardware and general and electrical engineering.

## Depressed

The iron foundries employ about 81,300 people and have an annual output worth roughly £830m. The steel foundries have 20,300 employees and an output worth £175m. The non-ferrous foundries employ 34,500 and produce castings valued at around £300m. a year.

The 1977 performances reflected not only the depressed state of world trade in manufactured goods but also the down further from the 1977 failure of the U.K. automotive level then the foundries can

industry to match demand because of industrial disputes among the manufacturers and their suppliers. It is estimated, for example, that production of 400,000 cars was "lost" last year because of disputes either inside or outside the industry.

As a result, production of iron castings last year fell to the lowest level since the war. Output at 2,795,000 tonnes represented a drop of 5.7 per cent. on the 1976 level and was the fifth successive year in which production had fallen.

Steel castings output also dropped just over 5 per cent. on the 1976 total, from 246,579 tonnes to 234,012 tonnes. The two main markets, construction equipment and valves, were stable but there was a fall in demand from manufacturers of cutting, grinding, pulverising and dredging machinery, from the general engineering sector and from companies involved in defence work.

This represented the third year of recession for the steel foundries but so far this downturn has not been the unmitigated disaster they experienced in the previous trough in 1972 which was less prolonged but much deeper. The industry capacity is around 300,000 tonnes. With output at around 235,000 tonnes the foundries can survive although they don't make much money. When output sinks to 210,000 tonnes, that represents disaster.

The feeling in the industry is state of world trade in manufactured goods but also the down further from the 1977 failure of the U.K. automotive level then the foundries can

Very little, if any, increase in total employment by the ferrous foundries is foreseen for the years to 1982. But even so manpower constraints might arise because of the changing mix of skills the industry requires.

The working party maintains there is a danger that smaller foundries which provide an invaluable service by producing small batches of one-off castings for a wide range of engineering customers will find it increasingly difficult to survive.

In this connection, the Council of Ironfoundry Associations estimates that a further 16 iron foundries shut down during 1977 left an estimated 714 still in operation. The steady process of closure has been going on for many years. In 1902 there were nearly 1,400 iron foundries. Over the same period the numbers of steel foundries has dropped from 115 to 74. According to the Steel Castings Research and Trade Association, there were two small foundries closed in 1977.

The non-ferrous foundries working party has not been able so far to produce any forecasts about future volume requirements and admits "the fragmented nature of the industry and the absence of reliable statistics in some areas means that we have a recognised lack of knowledge about our market place." It is taking steps to tackle this problem but says the collection of improved data will take some time.

## Dependent

"This work can, drawing upon the on-going work of customer sector working parties and other sources, lead to a much improved data base on which investment and manpower decisions can be made."

"Historically there has been insufficient dialogue with customer industries and the industry has been dependent on the short-term cyclical behaviour of its customers and has had to respond after their changes in demand with little advance warning. It is in this area in particular that the working party hopes that the industrial strategy will provide the opportunity for much improvement."

That said, however, the non-ferrous foundries have had

CONTINUED ON NEXT PAGE

## Over £15m. invested in Cupola melting for the 1980's

For almost 200 years, the coke-fired cupola has been at the heart of the iron foundry industry and I see little to persuade me that this situation will change in the foreseeable future.

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the UK's total installed prime melting capacity estimated to be between 4.5 million tonnes, of which well over 85% is produced from coke-fired cupolas.

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**FOUNDRIES II****Aid schemes for  
the industry**

THE GOVERNMENT is pumping £100m. into the foundry industry by way of grants to stimulate investment by the foundries themselves. There will be £80m. for the ferrous and £20m. for the non-ferrous foundries. The latter might possibly get more if the demand arises.

The ferrous foundry aid scheme is much further down the road than non-ferrous in that its closing date for applications was at the end of 1976 while the non-ferrous scheme did not open for business until January 1, 1977. The ferrous scheme is also by far the most successful of all the Government industry aid schemes—if you measure success in this context by the numbers of applications, the money on offer and the potential investment stimulated.

By the end of February this year the Department of Industry had sifted through enough applications to make 368 firm offers of assistance. These involve grants totalling £74.2m. and represent capital expenditure of £338.2m. by the recipients. A further 15 applications had been completely approved. These represented grants of £4.5m. towards projects costing £19.8m. Three more applications were "under appraisal." And it left only £1.3m. in the Department of Industry's "kitty."

By all accounts the civil servants dealing with the applications were reasonably helpful but also reasonably realistic in their approach demanding strong evidence of the financial viability of each scheme coupled with closely-argued market forecasts.

This undoubtedly had a beneficial side-effect on some of the industry's smaller members who had to look at their proposals in a thoroughly disciplined way and produce the kind of market and cash flow forecasts that perhaps would not be their usual style.

The fact that the Department of Industry men were not simply there to hand out public money to anyone who asked but insisted on knowing that there would be a respectable return on the investment is amply illustrated by the fact that 47 applications were rejected outright and there is no doubt that many of the 63 which were withdrawn were taken out of

the running because potential rejection was in the air.

One obvious reason for the success of the scheme is that the industry was faced with radical changes in anti-pollution legislation. This has recently been postponed again and is not due to bite for another few years but in the meantime foundries have been affected more than most industries by the Health and Safety at Work Act.

Four years ago the Council of Ironfoundry Associations estimated that the industry needed to find an extra £80m. to comply with existing health and safety legislation and future pollution control laws. This compared with the annual £20m. the industry had been spending.

The U.K. Government could not offer any direct assistance because it remains committed to the principle that "the polluter pays." However, the industry aid scheme provided a neat way of offering assistance of this type. It was originally estimated that between 25 per cent. and 30 per cent. of total expenditure by the foundries would go towards environmental improvements but first analyses suggest these percentages will prove to be too high.

**Satisfied**

This leaves a percentage much greater than expected to be applied in efficiency and other improvements and explains why the Department of Industry has been so satisfied with the outcome of the scheme.

However, now that the rather hectic period when applications were being rushed in has passed, some questions are being raised about potential problems. There have, for example, been suggestions that the aid scheme will produce over-capacity or that the investment will all be in vain if the trade unions do not permit more flexible working arrangements when new equipment and methods are introduced. And some in the industry wonder whether all the grants will actually be taken up in the long run.

On this latter point, it would certainly not be surprising to find some companies hanging

back before finally committing themselves to projects for which grants have been allocated. To start with, when they grew up their schemes, most companies must have assumed that the U.K. economy and world trade in general would by now be well into a new upswing rather than trapped in seemingly endless recession.

Another factor is that the Department of Industry has been giving details of grants allocated at frequent intervals and this has enabled companies to get a much clearer idea of what their rivals have in mind in the way of extra capacity. Some rethinking might be stimulated by this information.

Projects attracting non-ferrous foundry grants must be completed by August 1980, a date which does not give too much leeway but certainly permits the pause for thought which could be taking place in some applicant companies at the moment.

On the question of the aid scheme encouraging over-capacity, the Council of Ironfoundry Associations is adamant: this will certainly not (not) be the case in the iron foundries.

It is true that the iron foundries which have made applications on average expect to add around 20 per cent. to capacity. But only half the foundries are involved, which indicates only a 10 per cent. total addition to capacity, an addition which could easily be absorbed although there might be problems in specific areas.

The story with the steel foundries is slightly different. Around 95 per cent. of steel foundries have applied for grants and would also expect to add an average of 20 per cent. to capacity. Whether or not all this really is required has been the subject of some debate.

But the Steel Castings Research and Trade Association (SCRTA) argues that "average" capacity increase figures are meaningless. The important point is that individual foundries will be spending a great deal of their own cash on the modernisation projects in

spite of the grant scheme. So those individual foundries must be trusted to be the best judge of what capacity they require.

The formal objectives of the industry aid schemes for both ferrous and non-ferrous foundries are to accelerate the modernisation of plant and improvement of working conditions, to promote the most efficient production methods, to encourage a more extensive use of modern management techniques and enable the industries to attract and retain labour.

Applications for the non-ferrous scheme will be accepted until July 31 this year and projects must be completed by March 31, 1981.

Companies are offered a grant of 25 per cent. of eligible costs for investment in plant and machinery for projects costing at least £25,000. There is also a grant of 15 per cent. of eligible costs for investment in buildings—the minimum project size in this case is £50,000.

There is also assistance for projects involving elements other than investment in plant, machinery and buildings. For example, rationalisation or merger projects. This will normally take the form of an interest relief grant, although in some cases loans will be made. Once again, the minimum project size is £50,000.

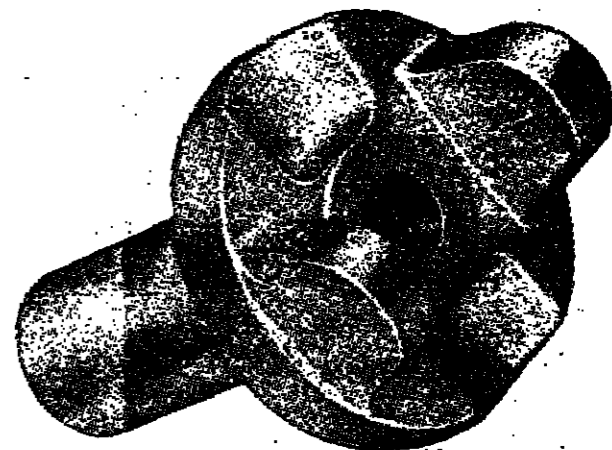
Projects aimed solely at anti-pollution or environmental control measures are not eligible and total assistance under the scheme and regional development grants together should not exceed half the total costs.

For small companies, a grant of 50 per cent. of approved consultancy fees will be considered.

By the beginning of February this year, the Department of Industry had made 40 offers of assistance involving potential grants of £3,422m. towards projects with a total cost of £18,836m.

A further 60 applications were being studied and, if approved, would produce estimated grants of £4,222m. towards projects involving a combined outlay of £18,48m.

Kenneth Gooding

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# Expansion at British Leyland

BRITISH LEYLAND'S £109m. up within the group suggest that foundry modernisation and ex. no more than £46m. will be pansion programme is one of allocated over the next five years the main casualties of the re- a ceiling which will allow it to view of capital spending do little more than bring its initiated by Mr. Michael existing foundries up to the Edwardes, the new chairman. environmental and safety The acute cashflow problems standards now demanded by which confronted him on his arrival last November, coupled with the need to phase down production programmes in line with the reduced market share, have cost £64m. according to made foundries an obvious can- didate for economies.

Preliminary estimates drawn ever, there is considerable

speculation within the industry that Leyland may seek to press ahead with its aluminium processing plant close to West Yorkshire Foundries at Leeds. Any scheme considered would have to be scaled down from the ambitious original £27m. project.

The investment and production intentions of Leyland are of great importance to the foundry industries because the State-owned concern is not only one of the largest purchasers of castings but also the owner of

a significant proportion of productive capacity. It accounts for around 10 per cent. of U.K. capacity in the ferrous sector and 6 per cent. in aluminium.

The corporation's importance as a customer was highlighted by Lord Ryder in his report of April 1975 when he pointed out that Leyland provided only 54 per cent. of its own grey iron requirements and 20 per cent. of aluminium needs. He singled out foundries as "the main area in which capital under-provision is most in evidence," and recommended £50m. of new investment at 1975 prices. Such spending was necessary because productivity levels were less than half those of plants using more modern equipment.

It was on the basis of such thinking that Leyland drew up its ambitious foundry strategy. Central to the programme were the Greenfield sites at Wellingborough and Leeds. Given the fact that existing plants had been starved of investment and were largely outdated, it was thought necessary to start afresh in establishing foundries able to achieve the output volume and efficiency of European competitors.

Wellingborough was envisaged as the main centre for the ferrous casting of engine blocks and cylinders—a development which would inevitably have meant some rationalisation of the corporation's facilities at other sites. The foundries at Coventry Engines, employing around 400, and Loughborough, with 330, were scheduled for possible closure. Beans, at Tipton, would have lost some work to Wellingborough but capacity was to be retained.

The new aluminium foundry at Leeds, with a scheduled capacity of around 18,000 tonnes a year, was seen as the necessary response to the trend towards greater use of light metal components, particularly the aluminium cylinder head.

## Freeze

As recently as 12 months ago Leyland management was busy developing the detailed plans for the new foundries, both of which were expected to start to come on stream by 1980. But then came the disastrous month-long toolmakers strike, subsequent financial crisis and investment freeze.

Mr. Eric Varley, the Industry Secretary, eventually gave the go-ahead for the £280m. investment to provide a new small car to replace the Mini, but he remained silent about the wider business plan which envisaged a 32 per cent. share of the U.K. car market and an annual output of around 1.2m. vehicles by the early 1980s.

Such ambitious production plans were knocked seriously off been spent on an important course last autumn by the Lucas modernisation project, now toolworkers' 11-week strike and seems unlikely to be considered other production hold-ups. Mr. for closure. Investment has

Edwardes quickly reached the conclusion that only drastic action would be sufficient to stem the outflow of money and give the corporation the chance to become viable. Accordingly he told management and unions this February that sales during 1978 were unlikely to be any higher than £19,000 cases. Indeed estimates circulating within the company suggest that the U.K. market share over the next five years will remain at around 25 per cent., with production running at an annual level of 800,000 to 900,000 vehicles.

Clearly, on such volume forecasts the case for heavy investment in new foundry capacity is undermined. But there are senior executives who argue that modernisation of foundry facilities is fundamental to the long-term competitiveness of the operation. Improvements in the standard and consistency of castings are an obvious first step in the drive to raise the quality and efficiency of products. Another argument advanced by advocates of the foundry programme is the need for the corporation to retain an important presence in new technology in an area where considerable progress is being made.

Valid as such viewpoints may be, Mr. Edwardes was confronted with a fundamental decision about priorities. Given the failure of the company to generate the profits necessary to help fund new investment, he had to look for capital savings. In the short term he must seek to regain market share and profitability, an effort which requires resources to be directed towards face-lifting and improving the existing model range, and expanding output of successful cars like the Rover. Work will also press ahead on bringing the new small car into production and developing a middle range vehicle code-named the LC10.

The decision to confine investment not to the desirable but merely to the absolutely essential has meant a fundamental reassessment of foundry policy. Obviously, if Leyland achieves a surprising turnaround in performance involving greater market penetration, volumes and profitability, it would be possible to reinstate a more ambitious programme.

The immediate problem for management — and intensive studies are already under way — is how to maximise output and quality from the existing plants. The possibility of a rationalisation of facilities with the available finance concentrated on two or three foundries rather than spread thinly across all seven cannot be ruled out.

The Longbridge foundry, where around £4m. has recently been spent on an important course last autumn by the Lucas modernisation project, now toolworkers' 11-week strike and seems unlikely to be considered other production hold-ups. Mr. for closure. Investment has

also gone ahead to improve the standards and efficiency of the Beans undertaking.

But it is on the issue of a new aluminium foundry that the trade unions are likely to take the strongest line. Shop stewards gave their full support more than 12 months ago to the Leeds project and now argue that Leyland must provide new capacity in what is a growth area.

There is a strong view within management that the corporation should move fairly quickly towards the provision of aluminium cylinder heads on the small cars. Technical arguments about the merits or otherwise of the metal continue, but Leyland executives argue that its lightness and the contribution it makes to engine performance and efficiency justify the change.

## Demand

The shop stewards point out that while the trend may be towards aluminium, the result of such a development will be a reduction in demand for ferrous castings. Mr. Tom Stewart, the union chairman of the foundries sub-committee established under the worker participation machinery, is emphatic: "One of the reasons we are supporting a new aluminium facility is to ensure the continued importance of the foundries as in-house suppliers of castings. We have made it clear to management that we will resist any move to place existing work with outside companies."

The balance between castings which Leyland produces in-house as opposed to purchasing from the private sector is obviously an important issue for the foundries industry. Lord Ryder recommended in his report that consultations should be held between the State-corporation and the industry. Both the National Enterprise Board and the Department of Industry have taken an interest in monitoring progress in order to ensure that plans are integrated and that excess capacity is not created.

Despite such efforts, the constant complaint of the private sector has been the uncertainty created by the failure of Leyland to announce firm details about its foundry programme. The group is such an important supplier and purchaser of castings that its actions influence the confidence and investment decisions of other companies in the industry.

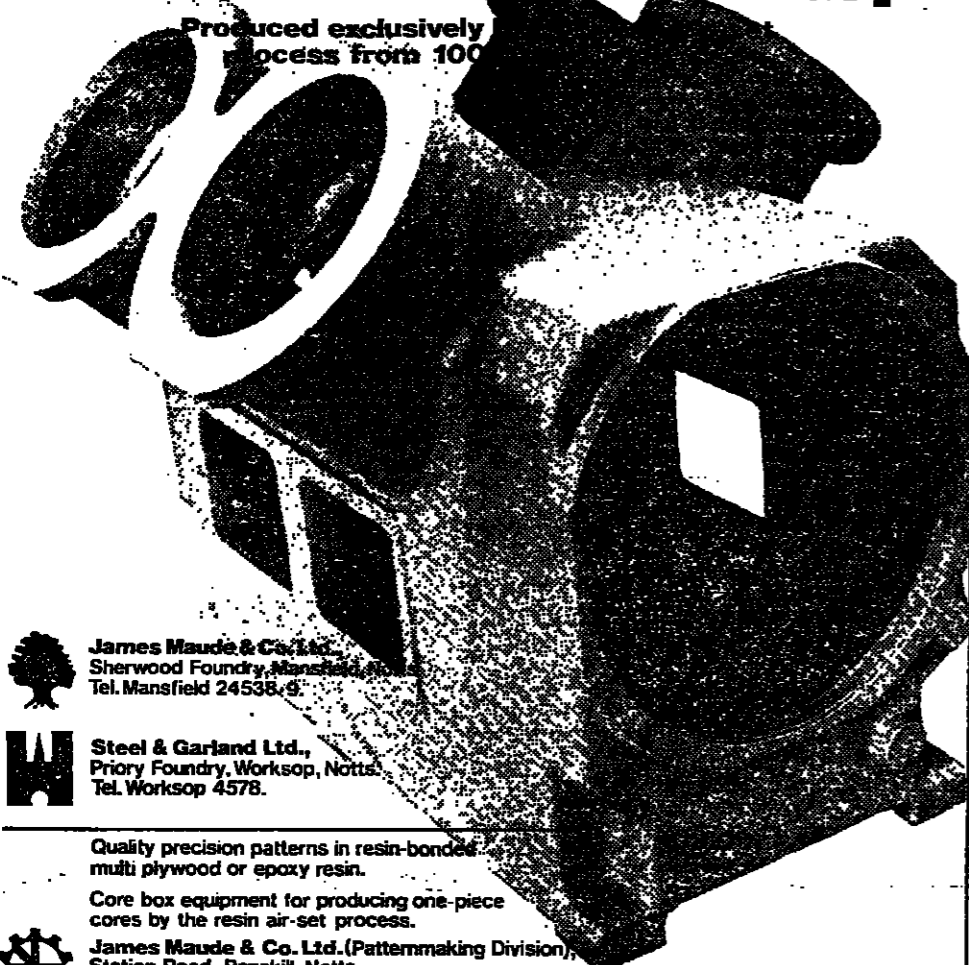
Whatever the consequent frustrations, the industry is likely to be forced to wait while Leyland management continues its detailed studies of the foundry programme. The cut in capital allocation and reduced car output forecasts mean the reappraisal now underway will have to be thorough.

Arthur Smith

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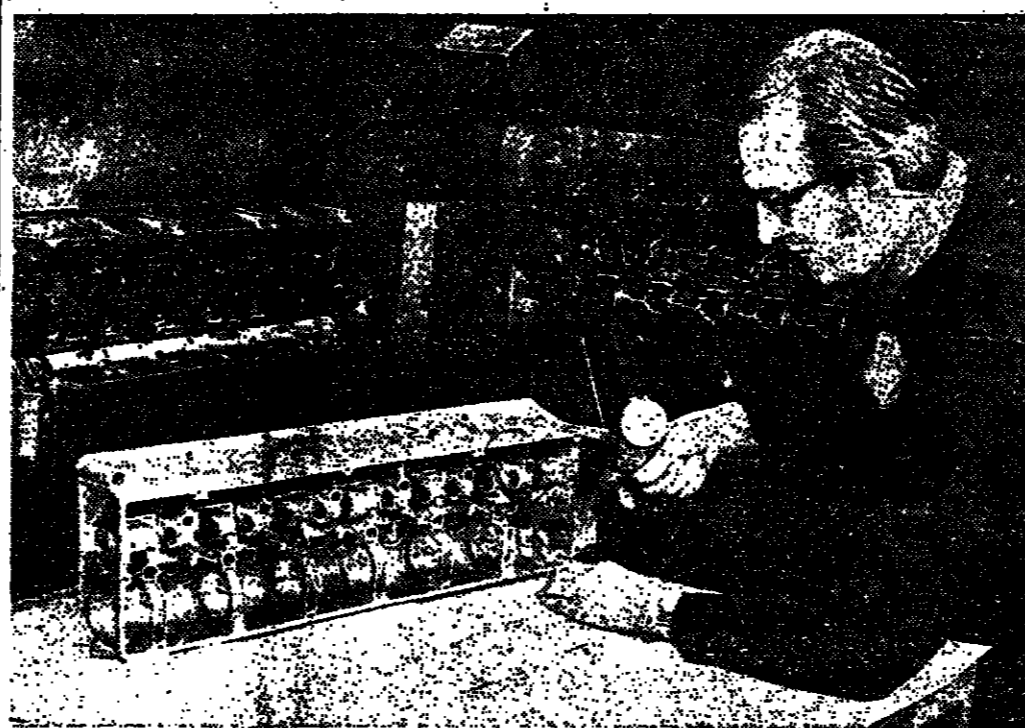
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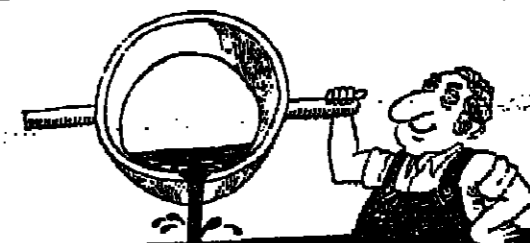
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## FOUNDRIES IV

## The rewards of exporting

AMONG THE foundrymen exporting has been an uneven mixture of hope, frustration, pride and hard-headedness. Frustration seems now for many to be elbowing its way to the front. As the pound strengthens and the dollar weakens the future is clearly going to depend even more heavily on quality, technical ability and marketing competence. "There's still a bit of room to manoeuvre on prices, but it's getting precious little," said one non-ferrous castings exporter. "It's going to need great persistence to hold on to the gains we have made in the past two or three years and even more drive to push them up."

The export of castings is a comparatively recent phenomenon. It was entered into partly as a patriotic duty, but much more because the motor industry, for one, which takes a third of all iron and aluminium castings, was taking a beating from foreign competition and through disruptions caused by industrial action. So it was hard facts — the need to find other markets to take up the capacity the vehicle industry did not need and to lessen vulnerability on this score — that were the bigger influences.

In the earlier, almost halcyon, days of the 1970s hopes of making a go of exporting were generally fulfilled for those pre-businesslike way. As exporters got to know the European or American competition better and found that British foundrymen and their products stood up well to comparison, there was pride as well. "We were determined," said one, "that if we were going to lose British business to the German, Italian and French motor manufacturers we would get it back in their cars, and that's what we've done. We have become a major source of supply to Renault, for instance, and are developing business in America."

That was for aluminium castings. In pursuing similar objectives to try and make good the loss of business in the depressed construction and building industries, as well as from the 400,000 cars lost through industrial disputes, the iron foundries had an even more difficult task to surmount European and other com-

petition. In the circumstances, to achieve the export of 6 per cent. of the total production of 2.8m. tonnes was creditable, representing 175,600 m/tons of motor castings, pressure pipes, ingot moulds and other items. Within this export total, motor and ingot moulds accounted for 70,000 m/tons, pressure pipes and fittings to 35,400 m/tons, and castings for machine tools compressors, refrigeration, etc., for 61,200 m/tons.

## Reputation

While the bulk of exports was achieved through sheer hard work, some was attracted by reputation.

Suppliers of grey iron castings to American subsidiaries have been pleasantly surprised to be taken on by the American parents looking for capacity to replace that lost in the U.S. during the big shake-out of a few years ago. Executives from America have come to see for themselves and been impressed enough to place some quite considerable orders, many of which have stuck despite leaner times.

Last year members of the Steel Castings Research and Trade Association produced 25,540 m/tons of castings for export. While this was below the peak of 1975, when shipments topped nearly 28,000 m/tons, it was a slightly higher percentage at 11 per cent. Much of the export work was made up of fairly sophisticated castings for nuclear plant and power generation, valves and other components for the chemical industries and the construction and earth-moving industries.

In the main the chief export markets were found in Western Europe, from Scandinavia to Italy — though America, too, figured prominently for individual producers. They tended to follow the pattern of production. Of the 237,000 m/tons output last year, for instance, 161,000 m/tons was in non-alloy castings, 10,000 m/tons in stainless steel, and the remaining 61,000 m/tons in other alloy steel.

Because of a number of factors it is not possible to discover exports of non-ferrous castings. Most of the exports from this branch of the industry are concerned with semi-finished manufactures in copper,

and copper alloy, such as rolled metal, tubes and wire, which accounted for 121,566 m/tons last year, a recovery from the low point of 1976.

As one would expect, most of the export of ferrous and non-ferrous castings is done by the minority of larger, more aggressive companies producing high quality products in modern conditions. For most of the smaller, sometimes family businesses, the biggest barrier to exporting is the first — finance. Yet there is no doubt that if small businesses in general were given more incentive to realise their full potential a welcome increase in exports could be achieved. In this Mr. Harold Lever, economic adviser to the Government, who is over-lording the measures to help small businesses in urban areas, can play an important role, if only by creating the climate in which they feel able to flourish — and to retain the rewards of enterprise.

For those who take the plunge and go in for exporting there is certainly no lack of agencies to help — among them, Government, Chambers of Commerce, and trade associations. Some of these services are entirely free, others are subsidised and still others. Like trade missions sponsored by Chambers of Commerce or the British Overseas Trade Board, are subsidised. Considering the bias of foundry production towards the motor industry, one of the most potent of the agencies could turn out to be the European Components Service, which is free.

This is an instance where civil servants, most of them former engineers from private industry, visit prospective customers in Europe (for instance) to find out whether they would be interested in receiving quotes for components (including forgings) from U.K. companies. The inquiries then are generally channelled through trade associations to appropriate members. This is a first-class service which also demands a first-class response in terms of fastidious quality and delivery.

The Export Intelligence Service is by subscription. A subscriber indicates the products he makes and the markets that interest him. The British com-

mercial posts are brought into the picture and a computer card is produced providing the necessary details for the subscriber.

While not strictly aligned to exporting, there are other services that can be extremely useful in either putting someone on the right path, or helping to keep him there. Such a one is the British Non-Ferrous Federation's research association which, helped by a Government subsidy, will help members over technical problems. In passing it is worth stating that both the BNF and the British Cast Iron Research Association have high worldwide reputations in the area of technical expertise and preparation of schemes.

That finance seems clearly to be one of the factors deterring many medium and smaller foundries from chancing their arm in overseas markets is apparent from the alacrity with which the Government aid schemes have been taken up. The ferrous foundry scheme, applications for which are now closed — though not all of them dealt with — attracted 514 claims. To date 377 have been approved for grants totalling £69m, to help towards projects worth in all £360m. The non-ferrous scheme, applications for which close in July, has so far attracted 87 applications, 57 of which have come from concerns employing fewer than 100 people. Grants approved are £4m. for schemes totalling £18.5m, while another 52 claims encompassing expenditure of £16.4m. and grants of £3.5m. are in the pipeline.

## Competitive

These schemes should come to fruition in the next two or three years and will help measurably to make the foundries more competitive and better able to export — because there is no doubt that given the right production, management and spirit it can be done.

One of the foundries that has been successful is Perry Barr Metal. Three years ago its exports were nil. "But we decided we had to get off the U.K. vehicle supply circuit," says Mr. Howard Burchell, director and general manager. In 1976 the company won export business worth 7.8 per cent. of turnover.



The managing director of Bush and Wilton, Mr. H. Pratten, looks over valve castings which are part of an order for Union Carbide (Belgium).

Last year the proportion rose sharply to 22.7 per cent. and this year is running around 23 per cent. "But we fully intend to go on to 30 per cent."

The factor Perry Barr has found most helpful is telling potential customers of its approach to production, although it is prepared to do it the hard way and knock on doors. "But the most potent selling factor is to show you have a proven background and technical ability. European buyers are highly professional and you can't blind them with words," says Mr. Burchell. If a prospective customer evinces interest, Perry Barr looks at the job to find the most economical way of making it at a very keen price. "But you have to be right first time. You don't get a chance to make a second mistake."

If necessary a similar component is taken to the prospec-

tive customer to evaluate. But before he agrees anything he will ask the state of industrial relations at the plant. Ability to guarantee continuity of supply is of paramount importance. It would be disastrous, says Mr. Burchell, to treat an overseas customer like a U.K. customer who has got insured to disruptions.

"While you have to put in money and time, you also have to remember that the customer almost always has to spend money also by putting in special tooling, so it really is a partnership. The hardest thing," Mr. Burchell reflects, "is the first step, the decision to spend money, then the two years slog. But when, as happened, a £200,000 order just dropped through the letter box, all that flying to France and Germany as if you were going to the office makes it all worthwhile."

Peter Cartwright

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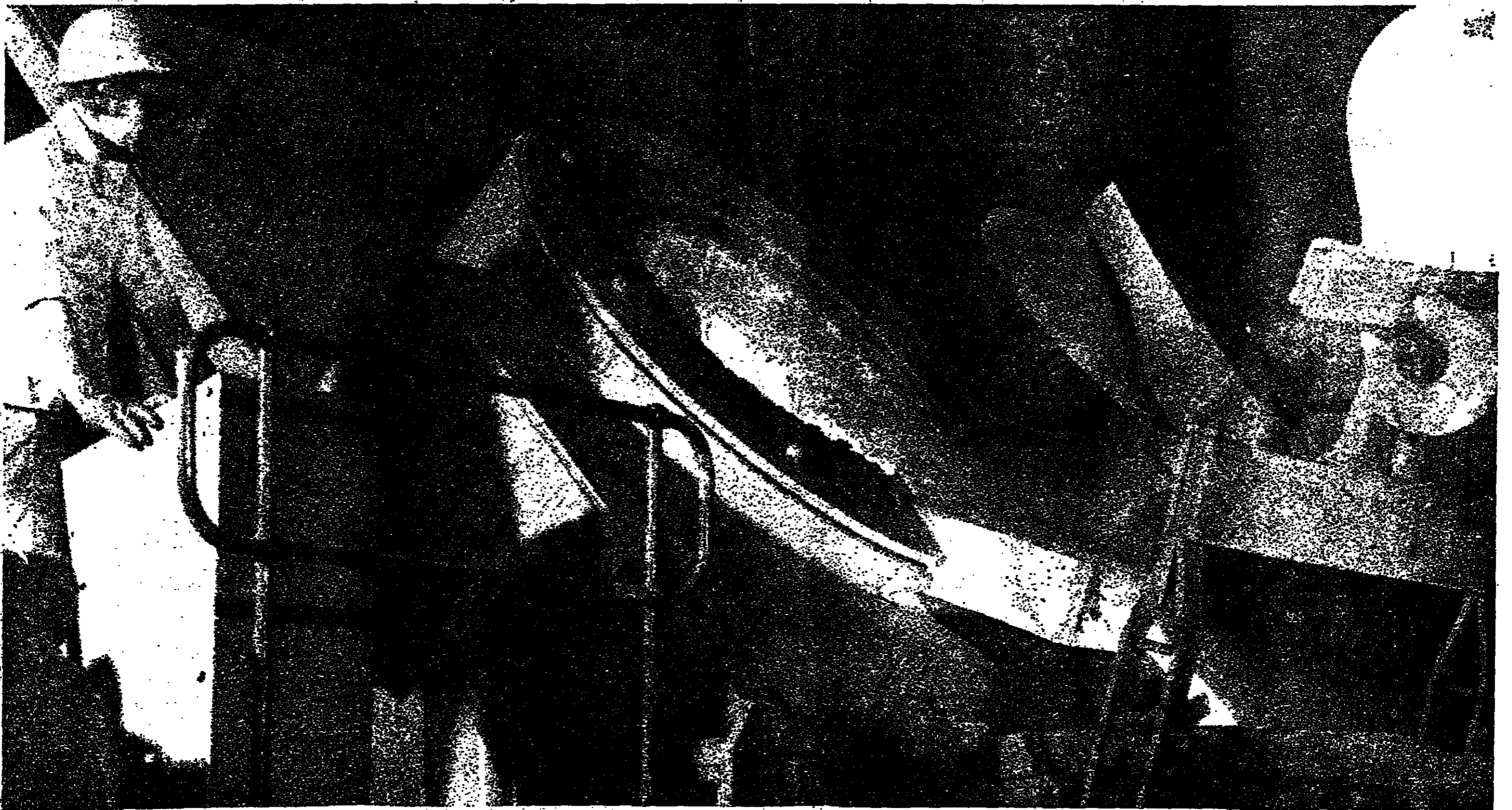
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## FOUNDRIES V

# Problems of attracting the right manpower

A GROUP OF children had been shown round an iron foundry and were on their way out. The careers teacher was overheard telling them: "Now you know what will happen to you if you don't get your 'O' levels."

This incident illustrates one of the foundry industry's major problems: How does it attract and retain the people it needs in the face of an ageing workforce and unsatisfactory image?

Foundry workers themselves consider that they have some of the toughest working conditions in the engineering industry. One very commonly-used comment is that "foundry work is even tougher than the miners' work."

Although progress is being made to improve the working environment in many foundries, the industry is still considered to be one where employees often have to undertake hard, physical labour in conditions of considerable dirt, noise and heat and some danger.

This naturally makes the industry appear unattractive to school leavers, their parents and teachers.

Yet, despite the working conditions, labour turnover is not high except in the fettling areas and among new recruits generally. There is a high degree of turnover of employees during their first few months of employment. But if they settled down and can cope with the conditions they can be expected to stay for a long time.

Foundry employment has shown a marked downward trend which peaks in the output cycle merely halt rather than reverse. Manpower has declined in the iron and steel foundries at an average rate of 2 per cent a year, falling from 118,000 in 1960 to 102,000 in 1968 and around 80,000 in 1978. This was mainly caused by the foundry closures which have taken place. And there will be little need for any significant increase in total employment in the foundries in the foreseeable future.

But this does not necessarily mean that manpower con-

straints will not arise. The changing mix of skills, with fewer traditional crafts but more maintenance crafts and technicians needed, could be a source of problems. The industry is already finding it increasingly difficult to recruit and retain suitable entrants to the skilled moulding crafts and to the highly arduous fettling jobs and to re-attract skilled or experienced labour force which has left the industry.

With this in mind, staff from the National Economic Development Office's Manpower and Industrial Relations staff made visits to seven foundries to hold discussions with groups of managers, staff, shop stewards and shopfloor workers at each of them. The purpose was to get the views of people in the industry on a range of topics including productivity and industrial relations as well as recruitment and retention of labour.

## Inferior

The results were outlined in a report called "Foundrymen's views: An attitude study in the ferrous foundry industry," published by NEDO (£1.10).

When the NEDO team was looking at the physical working conditions, no common pattern emerged for the different sorts of foundries. But it was clear that most foundry jobs "required much physical effort in conditions considerably inferior to those prevailing in most other industries."

A curious feature, say the researchers, is the noticeable fatalism among many foundrymen about the conditions. But employee groups made the point that other heavy industries, such as chemicals, have much better facilities, for example better medical services, better washing facilities and protective clothing. The foundry industry, they thought, was in this respect the poor relation among heavy industries.

So why do so many foundrymen stay in the industry for so

long? One view was that it was because of the job satisfaction the industry offers. (Foundrymen often have the satisfaction of seeing the end product of their efforts. Variety of products in foundries where products were short-run or one-off also contributes to job satisfaction. Flexibility of labour contributes to job satisfaction in a number of plants.)

The NEDO report points out that more could be done to convey this to school leavers and those who advise them.

However, other foundrymen suggested labour turnover is low because of the desire for employment security. The longer they stayed, the more it would cost the employer to make them redundant and, if they moved elsewhere, they would lose the benefits of the "first in, last out" principle employed by the foundries when redundancies have to be made.

The areas in which there was thought to be the most need for improvement leading to higher productivity and better working conditions were:

More mechanised equipment (for example, cranes, sand-slingers and mechanical handling generally) in order to reduce the degree of physical labour involved in many jobs.

Better layout of plant:

Improved noise reduction in the foundry, including hearing protectors and relocation of fettling shops:

More dust extraction throughout the whole foundry operation:

Isolation of furnaces:

More adequate control of sand:

Adequate shower facilities and possible consideration given for men to take showers in working time at the end of the day:

Adequate heating in winter to prevent the low temperatures which occurred and often resulted in disputes.

It was also recognised that the

ability of the industry to modernise and improve wages and working conditions was hampered by its low profitability. The industry must improve its "value added" if profitability is to be improved.

There were many other revealing insights produced by the study and the results were reviewed by the ferrous foundry "Little Noddy" advisory group. It came up with a number of recommendations which would do much to improve the quality and productive performance of the industry's manpower if implemented.

## Inadequate

It was suggested there is a need for greater attention to be given to production planning and control in foundries. This is primarily the concern of individual companies but the "Little Noddy" would like to be sure that sources of advice from research associations and elsewhere are adequate and might ask the government to consider offering financial help towards the fees.

Manpower planning by companies is generally inadequate to provide companies and the Ferrous Industry Training Committee (FITC) with necessary information to plan future recruitment and training policies. The cyclical nature of demand exacerbates problems in the industry.

The "Little Noddy" maintains that inflexible attitudes to organisation or technical change prevent full productive potential from being realised. Resistance to change could often be traced to underlying fears for job security, which proper manpower planning could allay. Management and unions should discuss and agree on ways to promote a more flexible use of the labour force, it insisted. "In some cases this will require an initiative by full-time trade union officials to give a lead in encouraging their members to be more flexible between jobs

within their level of competence. Where practicable, rotation of jobs should be considered as a means of increasing job satisfaction and flexibility."

There also appears to be scope for improved utilisation of both manpower and plant, particularly in the more capital-intensive volume foundries, through staggered hours and double-shifting. Attitudes vary as to the desirability of shift work but there is a general recognition that the cyclical nature of demand must be met by flexible approaches.

The Little Noddy recommended that the FITC, in consultation with the industry, examine the scope for the training of adult workers and for management training in the industry. A further view, expressed at various regional conferences organised by the "Little Noddy," was that "all-round technician training" for foundries should be developed.

There was a recommendation that management and unions at plant level review existing wage systems, wage differentials and the possibility of improving non-wage benefits for shop floor employees.

Management should examine the scope for improvements in communication to the shop floor, involving foreman in the company decision-making framework and in consultation prior to changes in workplace conditions and facilities.

And "if the industry is to attract suitable school leavers at any level, they and their advisers must be convinced of adequate prospects for advancement and that the industry offers a rewarding and satisfying career. Much of the traditional face of the industry is changing and a massive new investment programme is underway. It is recommended that the industry, possibly through trade associations and/or government, should do more to project the up-to-date image of the industry."

K.G.



The big end of the business. Completing a mould for a 4,000 ton extrusion pressure cylinder at BSC's Special Steels Division, Sheffield.

## Efforts to use less energy

THE IRON foundries castings well underway in the foundry sector accounts for as much as 5 per cent of the total industrial energy demand in Britain. Small wonder then that it has come under intense scrutiny by government bodies in the search for ways of saving energy.

Last year a major report was published which attempted to take the burgeoning inefficiencies out of some of Britain's older iron casting foundries in areas which the layman would probably not associate with energy saving. The report was the first to deal with energy audits in energy-intensive industries under the sponsorship of the Energy Department and the Industry Department.

Studies are being conducted by the Energy Technology Support Unit at Harwell and the Energy Unit at the National Physical Laboratory at Teddington. Industrial research associations are also involved. All the work, including that already

to produce iron castings in Britain, coke accounts for over 51 per cent. An average of 44 GJt of energy is needed to produce one tonne of iron castings. In individual foundries this can vary from as low as 14 to as high as 80 GJt tonne of castings produced.

But in all cases, melting is the main single energy consuming process in a foundry, usually accounting for 50 per cent of the total energy requirements of the final product.

A great deal of metal is constantly recycled in a foundry. This can be reduced in relation to the saleable products, and it is estimated that a 10 per cent cut in these foundry "returns," including rejected castings, risers and runners, could save Britain £4.5m a year.

In addition to the savings

CONTINUED ON NEXT PAGE

# Choosing the right fuel could be one of the more important decisions you'll ever take.

Gas, the premium industrial fuel, gives precision heating with a flame that is completely clean and sulphur-free.

That means better quality control and fewer product rejects, advantages that won't go unnoticed when you publish the profits in your Company's annual report.

If you like to talk about the use of gas in your plant, ring one of the numbers below and ask for Industrial Sales Manager.

Scottish Gas  
031-552 6271

North West Gas  
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Wales Gas  
Cardiff 33131

Segas  
01-688 4466

Northern Gas  
Newcastle 683000

Emgas  
Leicester 50022

Eastern Gas  
Potters Bars 51151

Southern Gas  
Southampton 824124

Negas  
Leeds 36291

West Midlands Ga  
021-705 6888

North Thames Gas  
Staines 61666

South West Gas  
Keynsham 61717

BRITISH GAS



# Educating the Americans

BY ANTHONY HARRIS

"WE OUGHT to send over a technical mission," a foreign currency dealer remarked to me the other day "to tell them how to manage a weak currency." The idea of educating the Americans in the mechanics of speculative outflows and domestic credit has in fact occurred to quite a lot of people, and a kind of unofficial delegation of bankers, brokers and economists, has been busy at its charitable work for some weeks. Returning travellers all report that it is uphill work.

## Confusion

The Americans themselves are joining in, but the result is patchy. The latest Bulletin of the Federal Reserve Bank of St. Louis—the temple of official monetarism—contains in its latest issue to hand an excellent step-by-step account of how currency intervention actually works. The tale is familiar to us over here: foreign holders of dollars acquire their own currencies instead, and thus intervention causes monetary expansion overseas. The U.S. Treasury is enabled to find finance from the reserves or from foreign borrowing, and so U.S. interest rates will tend to be lower than they would otherwise be. A swap which creates reserves, or a loan from central bank to central bank, which activates them, looks potentially inflationary in action, and it is.

The need for stating these home truths is set out in the introduction to the article, which summarises the current confusion of U.S. opinion on these topics: "There are those who state that U.S. intervention has a contractionary effect on the U.S. money supply, and will not cause expansionary pressures on the money stock of other countries. There are those who argue that U.S. intervention will produce a different impact on U.S. interest rates than that produced by foreign intervention." In other words, the St. Louis Fed feels that it is helping to eradicate error. However, as readers of the FT's correspondence columns know, there is scope for further semantic confusion here. Higher or lower compared with what; that is the often unasked question which causes all the confusion.

The trouble is that the St. Louis Fed only looks at one side of the question. It shows that as a result of intervention, excessive monetary growth probably occurs in countries other than the U.S.; but its statement that the U.S. money supply is somehow the inflationary act is leading to the Fed by foreign

# Seeds to sow during the holiday

PART of my Easter week-end packet. The two names, I should be spent sowing seeds. Some of them, of course, should have been sown earlier, but there have been roses to prune, campanulas to divide and foxgloves to transplant. *Salvia Turkestanica* to transplant white trumpet-lily. If you have from wherever they sowed them, they might well not be too late to plant. It has also been sowing. Most plants object to an interruption once they are growing on, and especially the annuals which have to grow so quickly. It is better, then, to start them later, with a transplanting in early June in mind. By sowing late you can move the seedlings on smoothly without a delay in late April when they threaten to grow too big for their boxes.

Now let me clear up a problem. Many of you write to complain of difficulty in tracing the white lily, *Lilium formosanum*, which I mentioned last month as a quick and easy lily to grow for flowers in its first year. I was referring to its seeds, not its bulbs, which can be bought quite easily from Wallace and Bann, Marden, Kent, among other suppliers. Seeds are cheaper, but those who have failed to trace them should try Thompson and Morgan, and London Road, Ipswich, who list the very similar *Lilium longiflorum* White Queen at 33p a rough.

What, though, about the bedding plants? They are now too expensive to buy but the absent-minded to buy them fully grown in late May. You do not have to have a greenhouse in order to raise the half-hardy sorts. You can start them off quite well in an airing cupboard so long as

# GARDENS TO-DAY

BY ROBIN LANE FOX

you never allow their box of sandy soil to dry out. As soon as any growth shows you must bring them at once into the light. Light does not necessarily mean the window-sill, a frequent error, as it is the light where sunlight is most direct and draughts least predictable. You must only be sure that the temperature does not fall below freezing point. If you fear a cold night, you can always shelter the boxes for the night in a warm cupboard.

By sowing later than many suggest, you cut the time in which you have to keep the plants happy indoors. True, you also delay their flowering, but

# Seeds to sow during the holiday

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# Three paperbacks that seem a good bet at the price

AT THE START of every season—be it jumping or flat—a whole host of paperback racing guides and booklets appears on the scene, and although it is true that many of them are rubbish, some are undoubtedly of considerable interest and help to the keen racegoer or stay-at-home enthusiast.

Three recently published paperback booklets which strike me as good bets at their respective prices are The Professional Approach to Backing Horses, by Tony Stafford, Raceform's Prospects 76 and Betting Made Simple, from Coral Racing. Tony Stafford's book is informative and concise booklet. The Professional Approach to Backing Horses, which is available at 70p (post free) from The Race Horse, 55, Curzon Street, London, W.1, covers in the main the interpretation of form in all its many facets, a subject which has occupied almost all Stafford's

# ENTERTAINMENT GUIDE

**THEATRES**

**GREENWICH THEATRE**, 01-558 7755. Evening 7.30. Mat. Sat. 2.30. DON'T MISS IT! "The Great Rock 'n' Roll Musical".

**MAYMARKET**, 01-530 8832. Even. 8.00. Mat. 2.30. "The Great Rock 'n' Roll Musical".

**WATERS OF THE MOON**, 01-530 8832. Even. 8.00. Mat. 2.30. "The Great Rock 'n' Roll Musical".

**KING'S ROAD THEATRE**, 352 7498. Mon. to Thur. 9.00. Fri. Sat. 8.00. "The Great Rock 'n' Roll Musical".

**LONDON PALLADIUM**, 01-437 7373. Thu. Fri. Sat. 8.00. Sun. 2.30. "The Great Rock 'n' Roll Musical".

**ST. MARTIN'S**, 01-333 1443. Ev. 8.00. Mat. 2.30. "The Great Rock 'n' Roll Musical".

**THEATRE UPSTAIRS**, 730 2554. "The Great Rock 'n' Roll Musical".

**VAUDEVILLE**, 936 0988. Ev. 8.00. Mat. 2.30. "The Great Rock 'n' Roll Musical".

**WINDMILL THEATRE**, 437 6212. "The Great Rock 'n' Roll Musical".

**YOUNG VIC**, 01-530 8832. "The Great Rock 'n' Roll Musical".

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**YOUNG VIC**, 01-530 8832. "The Great Rock 'n' Roll Musical".

# TV Radio

† Indicates programme in black and white

**BBC 1**

6.40-7.55 a.m. Open University.

9.45-10.55 a.m. 10.55 Jackanory.

10.55-11.55 a.m. 11.55 The Boy from 58.

11.55-12.55 p.m. 12.55 Lippy Lion.

12.55-1.55 p.m. 1.55 For Schools.

1.55-2.55 p.m. 2.55 Regional News for England (except London).

2.55-3.55 p.m. 3.55 Play School (as BBC-2 11.00 a.m.).

3.55-4.55 p.m. 4.55 Jackanory.

4.55-5.55 p.m. 5.55 John Craven's Newsround.

5.55-6.55 p.m. 6.55 Grange Hill.

6.55-7.55 p.m. 7.55 News.

7.55-8.55 p.m. 8.55 Nationwide (London and South-East only).

8.55-9.55 p.m. 9.55 The Wednesday Film: "The Brain", starring David Niven.

9.55-10.55 p.m. 10.55 The Liver Birds.

10.55-11.55 p.m. 11.55 The Hong Kong Beat.

11.55-12.55 p.m. 12.55 Sportsnight.

12.55-1.55 p.m. 1.55 To-night.

1.55-2.55 p.m. 2.55 The Engineers.

2.55-3.55 p.m. 3.55 Weather/Regional News. All Regions as BBC-1 except at the following times:

3.55-4.55 p.m. 4.55 Billdown.

4.55-5.55 p.m. 5.55 Wales To-day.

5.55-6.55 p.m. 6.55 Heddidi.

6.55-7.55 p.m. 7.55 Young Musician of the Year.

7.55-8.55 p.m. 8.55 The Rockford Files.

8.55-9.55 p.m. 9.55 The Liver Birds.

**BBC 2**

6.40-7.55 a.m. Open University.

7.55-8.55 p.m. 8.55 The Wednesday Film: "The Brain", starring David Niven.

8.55-9.55 p.m. 9.55 The Liver Birds.

9.55-10.55 p.m. 10.55 The Hong Kong Beat.

10.55-11.55 p.m. 11.55 Sportsnight.

11.55-12.55 p.m. 12.55 To-night.

12.55-1.55 p.m. 1.55 The Engineers.

1.55-2.55 p.m. 2.55 Weather/Regional News. All Regions as BBC-1 except at the following times:

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5.55-6.55 p.m. 6.55 Young Musician of the Year.

6.55-7.55 p.m. 7.55 The Rockford Files.

7.55-8.55 p.m. 8.55 The Liver Birds.

**ITV**

6.40-7.55 a.m. Open University.

7.55-8.55 p.m. 8.55 The Wednesday Film: "The Brain", starring David Niven.

8.55-9.55 p.m. 9.55 The Liver Birds.

9.55-10.55 p.m. 10.55 The Hong Kong Beat.

10.55-11.55 p.m. 11.55 Sportsnight.

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6.55-7.55 p.m. 7.55 The Rockford Files.

7.55-8.55 p.m. 8.55 The Liver Birds.

# F.T. CROSSWORD PUZZLE No. 3,624

1	2	3	4	5	6	7	8
9	10	11	12	13	14	15	16
17	18	19	20	21	22	23	24
25	26	27	28	29	30	31	32

- ACROSS**
- 1 Wild bloomer made by scruffy bird (5)
- 2 Maxim of the cutting kind (3)
- 3 Bread of Heaven (5)
- 4 Uncommon chap, depressed by preparation for blast-off (5, 4)
- 5 Home in Hull? (9)
- 6 Right page has to take railway from 4 (5)
- 7 Work of impressionist portraying operatic heroine with appeal (7)
- 8 Bird that can mate on board (4)
- 9 Sex-appeal Rhode Island finds in female garment (4)
- 10 Accountant's day on a foreign leg (7)
- 11 Fall in odds on an invalid (5)
- 12 An rhapsode could give rise to none of contention (4, 5)
- 13 Looks to return to provide excuse for glasses (3, 6)
- 14 Fixed part of tennis match (13)
- 15 Unaffected by crooked but instinctive tendency (7, 4)
- 16 Emphasises sheep's native land (4, 4)
- 17 Card game to trap like strong drink (3, 5)
- 18 Cheer the Spanish who dined (5)
- 19 About 100 go over right wing ministerial address (7)
- DOWN**
- 1 Let rubs be modified by swaggar (7)
- 2 Well-known for turning up on hill with notes (8)
- 3 Layabout to behold in such surroundings (6)
- 4 Continue wishing to be irresponsible (6)
- 5 Person pretending to scorch with the French sunburn (9)
- 6 Pub with one sound singer (8)
- 7 Instrument for making a rattling good dancer (9)
- 8 Second of this month (7)
- 9 Enquirer into abnormal departure (7)
- 10 Tax fool's self-starter (6)
- 11 Turn elsewhere to provide entertainment (6)
- 12 Ring about note cycle (5)

**RADIO 1**

6.40-7.55 a.m. 7.55 News.

7.55-8.55 p.m. 8.55 The Wednesday Film: "The Brain", starring David Niven.

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6.55-7.55 p.m. 7.55 The Rockford Files.

7.55-8.55 p.m. 8.55 The Liver Birds.

# BBC Radio London

6.40-7.55 a.m. Open University.

7.55-8.55 p.m. 8.55 The Wednesday Film: "The Brain", starring David Niven.

8.55-9.55 p.m. 9.55 The Liver Birds.

9.55-10.55 p.m. 10.55 The Hong Kong Beat.

10.55-11.55 p.m. 11.55 Sportsnight.

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4.55-5.55 p.m. 5.55 Heddidi.

5.55-6.55 p.m. 6.55 Young Musician of the Year.

6.55-7.55 p.m. 7.55 The Rockford Files.

7.55-8.55 p.m. 8.55 The Liver Birds.

# Radio 4

6.40-7.55 a.m. Open University.

7.55-8.55 p.m. 8.55 The Wednesday Film: "The Brain", starring David Niven.

8.55-9.55 p.m. 9.55 The Liver Birds.

9.55-10.55 p.m. 10.55 The Hong Kong Beat.

10.55-11.55 p.m. 11.55 Sportsnight.

11.55-12.55 p.m. 12.55 To-night.

12.55-1.55 p.m. 1.55 The Engineers.

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6.55-7.55 p.m. 7.55 The Rockford Files.

7.55-8.55 p.m. 8.55 The Liver Birds.



Wednesday March 22 1978

# Outdoing Mrs. Thatcher

THE SELECT Committee on Race Relations and Immigration, whose first report was published yesterday, was appointed "to review policies in relation to (a) the operation of the Race Relations Act 1976 with particular reference to the work of the Commission for Racial Equality, and (b) the admission into the U.K. of Commonwealth citizens and foreign nationals for settlement." It is therefore surprising to find that the work of the Commission for Racial Equality, and indeed the institution itself, are scarcely mentioned, and that race relations are scarcely discussed. That is the first shock of the report.

## Language

The second shock is the report's utter illiberality. It has become a matter of course that British immigration laws get tighter and tighter with every review. This report, however, carries the doctrine of closing the remaining loopholes to new and dangerous lengths, even while at the same time acknowledging that there has been a net outflow of people to the West Indies in recent years and that the rate of inflow from the Indian sub-continent has been reduced. Indeed only Britain's membership of the European Community and her ratification of the European Convention for the Protection of Human Rights and Fundamental Freedoms seem to prevent the report from coming down against any immigration whatsoever, though it has to be admitted that, within those limits, it is a pretty good try.

There is a third shock in the language of double-think in which the report is written. Take, for instance, the following passage on arranged marriages: "While, in a multi-racial society, the cultural patterns of ethnic minorities should be acknowledged, we believe that the members of those minorities should themselves pay greater regard to the mores of their country of adoption and, indeed, also to their own traditional pattern of the bride joining the husband's family." The report is here making two quite contradictory demands: it is, in fact, impossible for the immigrant community both to adopt the mores of the host country and, at the same time, continue to send its daughters to marry

abroad. What the report means is that as many would-be immigrants as possible should be kept out, and that as many of those who are already here should be sent home. It would have been more straightforward simply to have endorsed the views of Mr. Enoch Powell.

Seeking to justify itself, the Select Committee says of its conclusions: "Nothing in this report should give rise to fears in anyone, irrespective of race, colour or creed, who has lawfully settled in the U.K." Look again at the use of that word "lawfully." There are, in fact, grey areas where it is not clear whether some immigrants are lawfully here or not: the law itself is unclear in many respects, the more especially when it is less a matter of law than of practice or discretion. The use of that sort of language is likely to create new uncertainties among immigrants about their rights and to spread new suspicions about who is entitled to be here and who is a candidate for deportation. Moreover, as the report itself admits, stricter enforcement of the rule concerning right of abode would almost certainly require a new system of internal control of immigration with all that entails in the way of identity checks.

## Imprecise

Two questions arise. The first concerns the kind of society in which we want to live, and the second concerns the practicality of the Select Committee's recommendations. Do we really want to move to stricter controls on movement, perhaps even to identity cards, for the sake of keeping out a few thousand Asians and getting rid of a few thousand more? How far is it from there to the pass laws? And is it really worth it? Accepting the Committee's re-jected, we believe that the members of those minorities should themselves pay greater regard to the mores of their country of adoption and, indeed, also to their own traditional pattern of the bride joining the husband's family." The report is here making two quite contradictory demands: it is, in fact, impossible for the immigrant community both to adopt the mores of the host country and, at the same time, continue to send its daughters to marry

# Allocation of resources

YESTERDAY'S WHITE Paper on North Sea oil begins by proclaiming that the country now has a unique opportunity to improve its economic performance, raise living standards, move forward to full employment, develop as a socially just society, and do something at the same time for developing countries. This, like many other passages, reads more like an election manifesto than a White Paper. The authors (there seem to have been a good many different hands at work) clearly do not subscribe to the disaster theory, according to which North Sea oil will drive up the exchange rate to a point where our manufacturing industry becomes uncompetitive. The one reference to exchange rate policy is not easy to interpret. On the other hand, the authors are clearly convinced that the benefit of this temporary windfall should not be frittered away but the opportunity used to re-establish the competitiveness of British industry before the oil runs out. "As a people we have been given the chance of harnessing our talents to a programme of National Recovery, that will rebuild Britain's prosperity and greatness." The oil, apparently, is a heaven-sent means of carrying through the Industrial Strategy.

## No fund

It will, in fact, give us back part of what we lost several years ago through the rise in oil prices and reduce for a number of years the constraint on economic expansion set by the balance of payments. It will also mean a large increase in the revenue of central government, the allocation of which has to be decided. But the very way in which the White Paper deals with the investment, unemployment, the main problems are what they were before, only their common between them being solution has become slightly easier. For this reason, the idea of a special North Sea fund, the revenue of which would be devoted to specific

objectives. Having done so, there seems little point in the proposed annual report to Parliament on the way in which North Sea resources have been used. The greatly-improved outlook for the balance of payments should certainly make it possible to better our past record of economic growth. The object must not be a sharp acceleration in the rate of growth, which would almost certainly run up against supply bottlenecks and bring back rapid inflation, but a gradual and sustained increase. It is the possibility of being able to continue expanding for a series of years in succession which is important for bringing about a higher rate of investment in the private sector—which is undoubtedly desirable, especially in new industries rather than old.

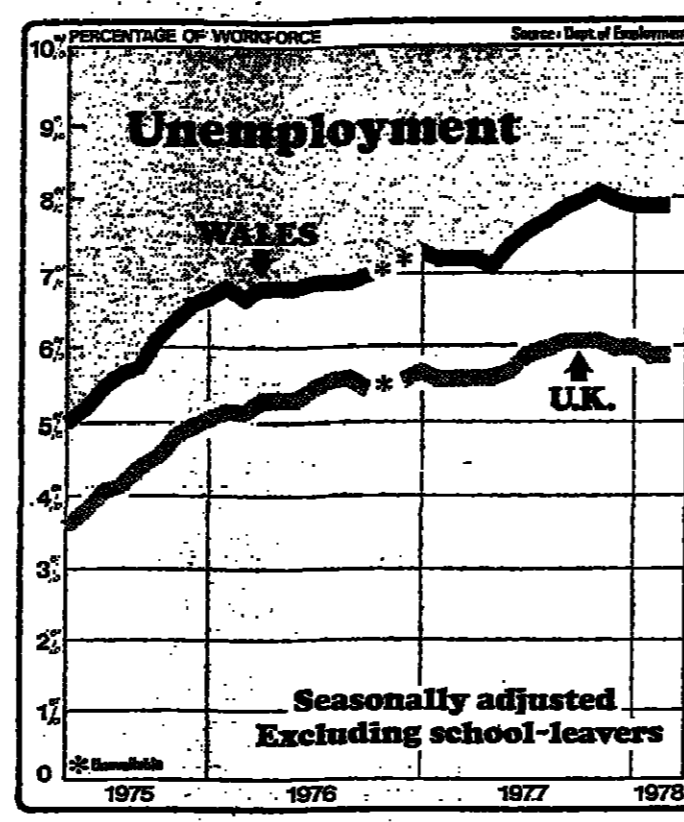
## Manifesto

But the fact that we need greater capital investment is no reason for the Government to hang on to the revenue which it happens to be getting from the North Sea and doing it out on those public or private investment projects of which it approves. Consumption must increase if investment is to flourish. Consumer spending determines investment, while the savings out of higher incomes help to finance investment. It is on this point that the White Paper is most ambiguous. Not only are tax cuts coming—the outlook sketched here is rather rosier than that recently painted by Mr. Joel Barnett—but "investment can be planned and executed only within industry itself" and "the Government intends to retain a firm control over public expenditure so that it does not absorb too high a proportion of the nation's resources." There has industrial democracy and so clearly been a fair amount of agreement between Ministers before, only their common between them being solution has become slightly easier. For this reason, the idea of a special North Sea fund, the revenue of which would be devoted to specific

WALES, already shocked by the sudden death of East Moors, is now awaiting with trepidation for today's Commons statement by Mr. Eric Varley, the Industry Secretary, on the future of the steel industry. Shutdown of the Cardiff-based plant, though on the cards since 1972, turned out to be much swifter than anyone imagined, and Wales has suddenly woken up to the harsh reality of the worst economic recession since the 1930s. East Moors has produced what is probably the biggest single mass redundancy in the country's turbulent industrial history. It seems that even the massive rundown of the Welsh coalmining industry—from 150,000 jobs in the early 1950s to around 30,000 today—never resulted in 3,000 jobs disappearing overnight. In the circumstances few people resent East Moors' well-publicised redundancy payments. They still seem a reasonable price to pay for putting on the dole a whole close-knit community in South East Cardiff, which has worked father and son for generations at East Moors.

BSC also hopes to open negotiations immediately on the closure of steel making facilities at Ebbw Vale, although the Corporation is prepared to stand by the designated closure date of March next year. For Ebbw Vale—less than 20 miles away in the industrial valleys this would mean a loss of 1,800 jobs. And once the distasteful business of closures is out of the way, BSC is bound to maintain pressure for reduced manning levels at its other large Welsh plants, Port Talbot and Llanwern in South Wales and Shotton in North Wales.

Certainly before the present steel crisis BSC was aiming to cut its Welsh labour force from 57,700 at the last count (September, 1976) to 50,000 by 1980 and to between 40,000 and 45,000 by the middle of the 1980s. But the quid pro quo held out over the past five years for going along with this rundown was always the promise of a record £835m. investment to modernise Port Talbot and double its steel output. The Financial Times report that this investment is being much reduced has already produced a loud outcry. But it may just provide more respite for the men at Shotton, in an area where unemployment at 11.4 per cent, is the highest in Wales and the third highest in the U.K. At the moment they are relying on the pledge of Sir Charles Villiers, BSC's chairman, that steel making at the plant will continue until 1982. If Port Talbot gets the consolation prize of a replacement rolling mill to improve quality, Shotton sheet steel would be needed to plug the gap while Port Talbot was out of action.

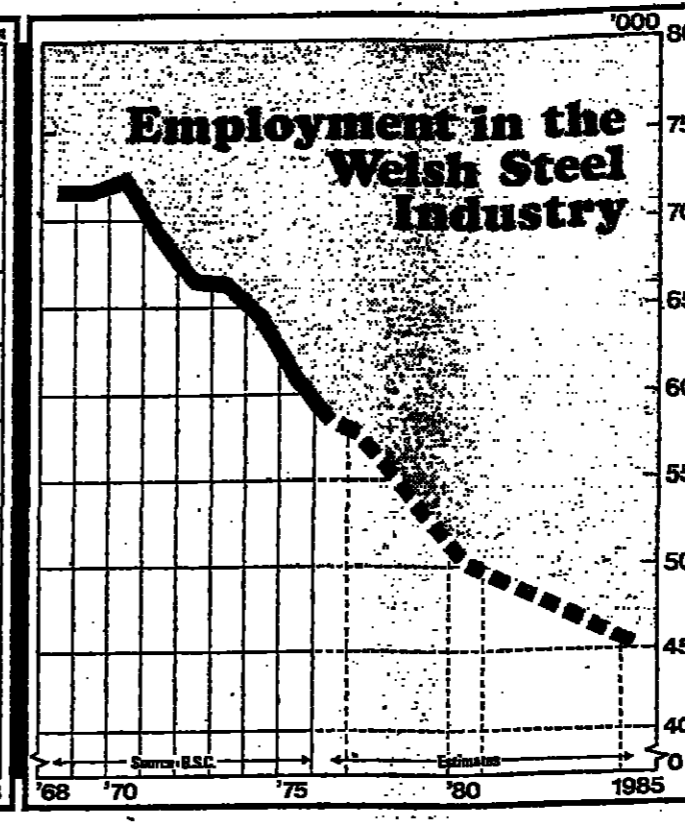


This widening of the gap is calculated to increase the Government's popularity. But there are no immediate signs that South Wales' legendary allegiance to the Labour Party is in danger of being seriously weakened, though it could obviously change if large numbers find themselves on the dole indefinitely. Mrs. Thatcher's brand of conservatism hardly promises more sympathetic consideration while Plaid Cymru, the chief threat to Labour in parts of Wales, has yet to convince large numbers that self-government would provide a different answer to the industry's problems.

What it has done is to wipe out at a stroke the boost to Welsh confidence which followed Ford's decision last summer to site its new European engine plant at Bridgend. Wales is instead bracing itself to pay an even bigger penalty for its dependence on a basic, declining industry. Steel is now the largest employer of male labour in Wales, and metal manufacture overall employs 8.3 per cent of the working population, compared with only 2.2 per cent in Britain. Welsh unemployment has been consistently above the U.K. average for more than 20 years, in the present recession being surpassed only by Northern Ireland. Over the past year, the numbers out of work have been mounting by at least 1,000 a month, on average, and now stand around the 90,000 mark, which is 8.5 per cent, or 2 per cent above the U.K. average. In spite of the government's range of temporary and youth employment schemes which are

BY ROBIN REEVES, Welsh Correspondent

## The steel axe hanging over Welsh employment



presently keeping some 56,000 people off the Welsh unemployment register, unemployment now seems bound to accelerate rapidly into six figures, that is over 100,000, and into double figures in percentage terms. This is because—the general health of the economy apart—the steel closures will have a significant spin-off effect. Every steelworker is reckoned to support another one and a-half jobs locally, meaning the possible loss of up to 4,500 other jobs in the Cardiff area and another 3,000 as a result of the Ebbw Vale closure.

## Available land

The Welsh Office reckons there are some 1,500 new jobs presently in the pipeline in the Cardiff area, but two significant difficulties stand in the way of an early recovery in the level of industrial employment. One is a shortage of immediately available land for industrial development and the other is inadequate retraining facilities. Clearance and restoration of the East Moors site will eventually free well over 100 acres for new industry, though there is some concern that the process may prove slower than is desirable because of BSC's wish to retrieve and redeploy East

Moors' physical assets elsewhere within the Corporation. Work is also about to go ahead on draining a 340-acre site to the South East of the City, at a cost of £8m, which should provide ample space for new developments close to where many of the East Moors workforce live. But it will not be completed for two years.

On retraining, the present facilities do not look sufficient to cope with the East Moors bulge. The Cardiff Area has an annual allocation of 1,000 places in local skill centres but they are already heavily booked up. Yet in spite of all these difficulties, it is hard to be gloomy about Cardiff's longer-term economic prospects. It is a growing centre which enjoys above-average amenities, has fast communications via the M4 and British Rail's high speed train, and its own port and airport. They all add up to a sound economic and social infrastructure and should be capable of attracting the industrial investment the city wants. In addition the Government is dispersing a significant number of Civil Service jobs to Cardiff which will help, but most steel workers will have little stomach or aptitude for becoming pen-pushers.

Ebbw Vale, tucked away in the heart of the industrial valleys, promises to be a far longer haul. Since closure was first mooted in 1972 special efforts have been made to attract industry to the area. The combined efforts of the Welsh Office, the Welsh Development Agency, BSC Industry, the Manpower Services Commission and the local authority, among others, have resulted in

a variety of manufacturers coming to the area. But agreement to shut down the heavy end of the works altogether will throw a further 1,800 on to the labour market—some 4,000 jobs will remain in BSC's tinplate manufacture—the rest will join the 10.6 per cent already on the dole in the area.

Again, a further 1,000 new jobs are said to be on the way. However, the major expansion at Merthyr Tydfil should provide openings as it has in the past, and the WDA is completing a big new industrial site at a cost of £4m. at Rassau at the head of the valleys. Even so, replacing the steel jobs is clearly going to be a slow business.

The East Moors and Ebbw Vale closures are highlighting the perennial problem of the Welsh economy. This is the need for continuous major restructuring to cope with what was recently described as: "A legacy of exploitation, particularly of raw materials, which lasted for generations without any significant investment being ploughed back—hand in hand with the creation of an economic structure grossly over-dependent on a few basic industries."

Between 1965 and 1967 the number of men at work in Wales fell by 97,000, a drop of over 10 per cent to 611,000. A smaller proportion of the population of Wales is at work than that in most English regions. The Welsh GDP per capita in 1975 was £1,104—some 25 per cent below the level in South-East England—not because Welsh industry is not productive, but because there is not enough of it.

An independent study commissioned by the Welsh Office on the impact of "the Government's regional policies in the 1960s" calculated that between 70,000 and 80,000 jobs flowed from regional aid of well over £100m. in the period 1962 to 1972. But the authors concluded that a full solution to the imbalance in the Welsh labour market would have required the creation of 200,000-250,000 jobs. In other words, the regional aid was only one-third of what was really needed. The study suggested, would require 100,000 new jobs by 1991 if they were to maintain population levels.

There is undoubtedly a warmer welcome for new industry in the valleys in terms of improving infrastructure thanks to the M4 and the work of the Welsh Development Agency and more recently its small country cousin, the Development Board for Rural Wales. With local authorities they are laying vital foundations by preparing industrial sites and building advanced factories, ready for an upturn in the economy. But the fear at the back of many people's minds is that the days when Wales could look forward to increased inflows of investment from England and elsewhere given the right incentives may have gone for good.

Mr. Alan Williams, Minister responsible for regional policy in the U.K. warned a Welsh conference on employment recently that he was now encountering tremendous pressure in the South East and Midlands to undermine the regional policy—on the grounds that unemployment was now a general problem and the plight of the inner cities was equally pressing. As it is, the Regional Employment Premium has already disappeared and the negative control of the Industrial Development Certificate is seemingly being less rigorously applied to steer industrial expansion to development areas.

This is liable to be one of the key issues in the Welsh devolution debate, particularly within the Labour Party. An important plank in the anti-devolutionists' arguments is that nothing must be done to prejudice the flow of regional aid and investment from the prosperous parts of England. The pro-devolutionists' riposte is that this flow has been inadequate in the past and will become even less adequate in the future and that Wales must think in terms of putting its own economic house in order.

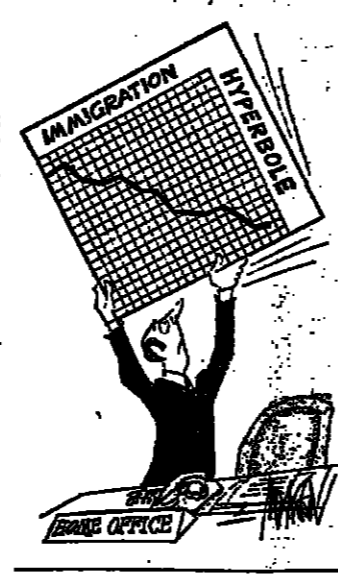
# MEN AND MATTERS

## An example in the airways

While the Amoco Cadiz calamity preys on the minds of tanker owners, environmentalists and Breton fishermen, it is timely to convey a pertinent question to the worldwide shipping industry: "Why are international control systems so much poorer in shipping than in aviation?" This was put to me yesterday by Professor Rigas Doganis, a specialist in maritime affairs.

Doganis points out that the positions and routes of planes are tracked constantly, with great precision. "This is possible with craft travelling at 600 mph, ten miles up," he says, "and anyone who gets out of line is rapped very sharply." He believes that the shipping industry has fallen far behind these standards. While avoiding any comment on what happened to the Amoco Cadiz, Doganis argues that sanctions are not nearly strong enough against erring ships' captains. "The pilot of a plane can be banned for life," he says.

Doganis is director of the Transport Studies Group at the London Polytechnic and in 1976 was the senior author of a much-quoted report on "flags of convenience." I asked him whether he had any criticism of Shell, for chartering a Liberian-registered ship—a topic upon which Shell had flatly refused to say anything when I had spoken to them earlier. "The Liberian fleet today has generally a good safety record," says Doganis. "Matters have improved greatly since the Liberians began an inspection service several years ago." He also says that many of the world's major oil companies have their own vessels sailing under the Liberian flag.



But the sharpest comment that Doganis has on the Amoco Cadiz disaster is once again a comparison with aviation standards: "The fail-safe mechanism that could have prevented the Brittany accident must be made compulsory. In aircraft, vital equipment is always duplicated. Why not in ships?"

## Country matters

Premier Callaghan declared yesterday that the White Paper on what to do with our North Sea oil wealth "matched his definition of socialism." It certainly does not match any of the views of the magazine Vole, which speaks for what might be defined as the radical rural intelligentsia. It has just brought out an alternative White Paper. This advocates, first and foremost, that the oil wealth should be used to create thousands of smallholdings all over the country—arguing that these are more productive, acre for acre.

It proposes that when large farms come on the market, all land over 1,000 acres should be sold to the State at not more than £500 an acre and turned into smallholdings. "This will drive out the insurance companies and the like who are buying land as a hedge against inflation," I asked whether the authors of the scheme wanted to turn Britain into a nation of peasants. The reply was a confident yes. Far too socialist for Jim, for sure.

## Mary's bad books

Mary Whitehouse suspects a plot. The publishers of Britain's "adult magazines" announced yesterday the guidelines by which they will exercise self-control. But she sees it as "a most dangerous move, not to be taken at face value."

She says: "They are trying to take the heat out of the debate. It has taken us 16 years to build up public concern and they know you cannot rebuild this once it has faded."

I ventured to suggest that with former chief film censor John Trevelyan at its head the publishers' Publications Control Board—which will apply these guidelines—could draw on a fund of experience. But Mrs. Whitehouse has her own stern views on the state of the British cinema: "If the publishers really wanted to become respectable they should not have invited Mr. Trevelyan."

Trevelyan himself is quite relaxed about Mrs. Whitehouse's criticism. They had met last autumn during a Granada television debate on what he calls the "Messianic attempts" by Chief Constable Anderson of Manchester to clean up the city. He told me he does not enjoy the magazines he has to read but that the Board is "an interesting diversion in retirement." Unlike Mrs. Whitehouse he

sees morality as an evolving concept and believes his job is, as it was with films, "to hold a reasonable balance between what the public wants and what is dangerous in terms of harming people or breaking the law." He says he has been told by the trade that 10-15m. people from all walks of life read "girlie magazines." The Board's sanctions include the right to stop distribution of magazines which break their rules, covering "over-explicit sex, harmful sex and illegal sex."

Mrs. Whitehouse has the clearest views on where the lines should be drawn. But she is anxious about the courtroom outlook. She may just have triumphed over barrister John Mortimer in the Gay News blasphemy appeal but she says that the police know that if magazines are defended by him in court they will be acquitted. "He has written plays himself and is a brilliant communicator. He makes it seem a joke and the jury believe that they are 'too adult' to convict."

## Not on your life

There were a plethora of calls offering personal horror stories about "clip-board selling" following yesterday's report in this column on the use of the technique by a certain section of the life insurance business. I was also telephoned by Mark Weinberg, managing director of Hambro Life. It seems that his morning was not improved when he read the remark by brokers Berkeley Walbrook that they might be selling Hambro Life policies as a result of clip-board canvassing. "Last October, we severed our agency links with Berkeley Walbrook," says Weinberg. Why? "Because of their clip-board methods."

Observer

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# Flaws in the UN's disclosure proposals

AND wide-ranging disclosure rules for multinational corporations have recently been proposed by a Group of Experts report issued by the UN. The scope of these disclosures far beyond present reporting requirements in any of the UN's advanced industrial countries.

The UN report gives detailed suggestions for minimum disclosure requirements for both financial and non-financial information. It is meant to apply to multinational corporations—those which operate production or service facilities outside the country in which the company's ultimate parent is based.

The report makes it clear that the UN Commission on International Corporations in the UN Secretary-General's report already suggested that the mission should then recommend that governments, including the UN, should take legislative action to give effect to the Group of Experts' report.

A Group of Experts has identified the need for two

sorts of reports: General Purpose Reports, which serve as the basic vehicle of communication with the public, and Special Purpose Reports, which fulfil the need of special interest groups for specific and detailed information on the company. Such special reports may be either accessible to the public or confidential, and because they are by their nature specific to a particular set of circumstances the Group felt unable to lay down any minimum requirements. The disclosure lists produced therefore apply only to General Purpose Reports.

## Broader

The group took note of the work of other organisations including the International Accounting Standards Committee (IASC) but felt that its own task was broader. It therefore adopted as a nucleus the IASC standards on information to be disclosed in financial statements but added new features. In addition, however, it has specified a formidable list of items of a non-financial nature, covering labour and employment, production, investment plans, organisational structure and environmental measures. The two examples given indicate the typical amount of detail which is required. The individual member company is asked to include in its labour and employment report a statement of the "number of women employees by function" and, in its production report, a "description of practices regarding acquisition of raw materials and components (indicating the percentage acquired from international sources and the percentage from all foreign sources)."

The group's long-term objective, which is to provide adequate and comparable information to all parties with a legitimate interest in the activities of multinational companies in order to enable them to make rational decisions, appears so reasonable as to be beyond reproach. I am indeed in sympathy with many of the aims and aspirations of the Group of Experts. Agreement on objectives does not, however, imply agreement on the means of achieving them, and the report of the Group of Experts raises three serious doubts:

- Is the United Nations the appropriate forum?
- Is the preparation of long lists of mandatory disclosure requirements the best way of achieving the objective?
- What are the costs and benefits of the additional information?

The right place: The UN has over 100 member states ranging from the most advanced industrial economies to the least developed agrarian societies, from conservative capitalist states through the whole political spectrum to far Left Communist republics. Not all member states subscribe equally to the doctrine of openness and publicity—"transparency"—for business information and there is a real danger that countries with no commitment to the concept of transparency will support proposals for increased corporate disclosure in order to use them as a political weapon, either against mixed economies in general or in order to obtain particular advantages.

Apart from the political danger, there is a practical problem involving all the member states of the UN. The availability of an adequate professional and technical infrastructure varies greatly from country to country, and is

adequate only in a handful. The multinational corporations may well have the capacity to comply with such requirements, but a great many of the local companies and corporations will not. The effect could, therefore, be to discriminate against the multinational companies and the Group of Experts recognises this danger, recommending that its proposals should be made generally applicable.

The right method: The task of drawing up long lists of disclosure requirements is easy work but doctrinaire proposals which take no account of realities are more likely to invoke ridicule than compliance. Reports from different companies even within one country are not always comparable, as the Group of Experts found, and this is so even where there are comprehensive disclosure requirements, as in Britain. The basic conceptual difficulty with the preparation of comparable



Sir Henry Benson has been Industrial Advisor to the Bank of England since 1975. He is a former chairman of the International Accounting Standards Committee and a former senior partner of Coopers and Lybrand.

length of the time-scale needed. It is my strongly-held belief that the first priority should be to establish a comprehensive set of basic standards governing the preparation of accounts and that any attempt, at this stage, to introduce a complete code for the disclosure of financial and non-financial information will fail. An additional problem of comparability is introduced by the requirements specified by the Group: much of the information required is so vague that the responses from companies are likely to be either useless or positively misleading.

Costs and benefits: The Group states that it has not costed the burden which the additional information requirements will impose. This is an astonishing omission because the cost will be significant. Extremely full financial statements are asked for at a multiplicity of levels which, with the demand for detailed information on a wide range of non-financial subjects, go far beyond what is required at the present time.

There is also a need to identify the interested parties who will derive benefit from the proposed disclosure requirements. The group's discussion makes it clear that the detailed needs of governments, local authorities and trades unions should be covered by ad hoc reports. The group acknowledges that governments already have the power to call for such reports, and indeed in most developed countries governments already do so. The specific needs of these groups, for the purpose of decision-making, are not therefore to be supplied by the list of disclosure requirements now proposed for general purpose reports.

Nor, apparently, is concern for the needs of investors and creditors the main driving force behind the requirements proposed for general purpose reports. The group observes that annual reports currently produced by multinational corporations are aimed largely at the needs of this section of the public, and should be widened to serve the interests of "society at large and the international community as a whole." Since this vague category is in addition to investors, creditors, governments, trades unions and local authorities, and as it is not described more precisely anywhere else in the report, it is difficult to be confident that the group has undertaken adequate research to identify the existence of this category of persons, and if it exists, to establish that it will comprehend the information when it is produced and use it effectively for any useful or legitimate purpose.

Disadvantage

The group recommends that its proposals should apply equally to national and multinational corporations of equal size, but acknowledges that such a recommendation is outside its terms of reference. There is a possibility, therefore (which those engaged in multi-national trade will readily discern), that these proposals will be applied only to multinational corporations. Such a step would be discriminatory, and put transnational corporations at a significant disadvantage when competing against national companies. The aim of the Group of Experts to move towards comprehensive, internationally comparable, corporate information

is a laudable one but I do not believe that for the UN to lay down a code for corporate disclosure as a separate exercise from the development of basic accounting standards is an appropriate way of achieving this objective, and the mechanism by which the Group is seeking to achieve their objective is fraught with political danger. The scale and scope of the requirements for disclosure are over-ambitious and risk encouraging discrimination against the multinational company at a territorial level. Due consideration does not appear to have been given to the cost and effort involved in their implementation.

The Group of Experts has acknowledged the work being done by IASC in establishing internationally accepted accounting and reporting standards. As IASC is an association of accounting organisations, all committed to the concept of transparency and with the will and the wish to develop internationally comparable reporting standards, it is by far the best vehicle for furthering international comparability in the most effective and practicable manner. It is to be hoped that the Commission on Transnational Corporations will decline to accept the recommendation of the Group but will instead take account of IASC's great experience in the development of standards and invite it to consider the Group's proposals on financial disclosure within its own programme. I have no doubt that IASC would respond to such a request.

"International Standards of Accounting and Reporting for Transnational Corporations" (published in December, 1977 and available from the UN sales section in New York for \$3.50 a copy).

## Letters to the Editor

### Not a mug's game

Mr. A. Henfrey.

—Adrienne Gleeson (March 1978) simplifies considerably the description of option buying as a "mug's game." It is true that option buyers lose their money on most of the options they buy, but this does not make the purchase of call options irrational.

The first place the risk of loss is to be set against the potential gains if things go right and there must also be taken into account the fact that they pay for a call option many times, be very much more than for the corresponding number of shares and the potential loss in money terms is correspondingly very much more. Risk and reward are closely correlated in the market and the market is no exception. Pay your money and you get your choice.

Moreover, when markets decline and uncertainty it can much more sense to purchase options with a small portion of one's investment and use the remainder to use gilt-edged securities or purchase shares and this may be much less risky. It is in effect doing a portfolio of "do-or-buy" convertible and these are generally regarded as speculative securities.

It is not the investor in the run is not the riskiest single bet in the market but the riskiness of his portfolio in toto. Options can be combined in portfolios in high risk ways entirely at the discretion of the investor.

The fact that call options lose money on their cost does not mean that they are not a very sound investment. We all insure our homes and cars and are mercifully assured that, if we are virtually assured, they are not a very sound investment. We all insure our homes and cars and are mercifully assured that, if we are virtually assured, they are not a very sound investment.

W. Henfrey.  
House, Little Trinity Lane, E.C.4.

### Pension fig leaf

From Mr. A. Furse.

Sir—Mr. Johnston's letter of March 16 implies that the number of private sector schemes maintaining cost of living increases—or "substantial" increases—is significant. The director-general of the Royal Institute of Public Administration rather spoils the effect (March 17) by emphasising that 94 per cent of the schemes surveyed by the National Association of Pension Funds failed to increase pensions in line with the index.

The Government Actuary has fully demonstrated the adequacy of the extra 14 per cent deduction for indexation of civil service pensions (making 18 per cent in total) but resolutely ignores the fact that this was based on the assumption that interest rates would remain at 8 per cent, salary inflation at 6 per cent and pension increases at 23 per cent annum. At the risk of being a bore, may I repeat that:

The Independent Actuary reported to the Select Committee on November 10, 1976, that the figures he had based on rates of 8 per cent in each case the correct deduction from salaries would be 35 per cent of salary, that is, 18 per cent of salary, rather than 14 per cent. It is a matter of record that annual increases since 1971 have been very much higher than this and the Actuary's protestations should be seen as a fig leaf held up by the spokesman of a privileged minority group.

If increases in pensions paid to the public sector are not restricted to the levels forecast when assessing the cost, or similar pensions on similar terms are not made available to all, the grave injustice of arbitrary privilege to the minority will grow steadily worse.

A. W. Furse.  
Nerquis, Mold, Cheshire.

### The uses of land

From Mr. P. Minton.

Sir—If Mr. Brady (March 18) has really read Henry George's book, he knows that a land value tax would be levied on the undeveloped value of land. Any land value can tell him what that means as he or she can put a value on land developed or undeveloped.

Let me use the example of the piece of scrub-land which adjoins my garden. At present it has a value, by virtue of its position beside a road and mains services, but it is small. None the less, it does have a value for some marginal agricultural use. The elected representatives of the people have refused any form of development and so the value is held down to that of agricultural use.

If that land was taxed on its undeveloped value, that is in its present condition, it would provide an incentive to the owner to turn it into something better. There would, though, be no extra tax to pay on the improvement. But say the council had a change of mind and gave permission for the erection of a house in that scrub-land, immediately the site would increase sharply in value—it would be a building plot in a very desirable area. So its undeveloped value would rise to take that permission into account—and the tax levy would also rise. And why not? The owner has done nothing to produce that increase in value.

Pressed, however, by the outflow of land value tax, the owner has an incentive to complete the development. Since there is no additional tax on the improved value (that is, that part brought about by the building, landscaping, etc.) it behoves the owner to develop to the best standard possible.

If that had happened on every site for which planning permission had been given in the past 20 years we would not be surrounded by tomorrow's slum areas, slum factories and slum houses.

Through the planning system we could still control development but, with LVT, we would be able to recoup to the community that value we add when we give permission for change of use of any land. In addition, the LVT levy would be providing a positive incentive to fetch land into its fullest use.

Peter Minton.  
Underwood, Hardwick Road, Whitechurch, Reading.

### The Horn of Africa

From Mr. N. Travers.

Sir—Your correspondent in Mogadishu ("The West loses a battle," March 16) sadly seemed to understand very little of East African politics, and knew even less of East African history. Soviet support for Ethiopia had very little to do with strategy—the USSR was in a far more powerful position when it possessed base facilities at Berbera in Northern Somalia as well as at Aden and effectively bestrided the Gulf of Aden. The Russians changed sides for a very different, and very paradoxical reason. The USSR stopped supporting Muslim Ethiopia and switched to supporting Christian Ethiopia because Russia has traditionally protected orthodox minorities ever since the Tsars first fought the Turks.

Ethiopia risked being destroyed between the millstones of Muslim Eritreans (supported by Muslim Sudan and Muslim Saudi Arabia) in the north, and Muslim Somalis (supported by Muslim Saudi Arabia and Muslim Iran) in the south.

Paradox lay in the fact that two Communist, but traditionally off, but if it is open to the growing Christian states (the Soviet Union and Cuba) defended a third Marxist, but traditionally Christian, state against a collection of devoutly religious, but Muslim, adversaries. Further paradox lay in the fact that Ethiopia also drew support from

### Management voices

From Mr. W. Bransgorn.

Sir—What has management come to when it wants a third party to negotiate for it? I was always told that management must manage!

Maybe I have missed the point made by Mr. J. Appleby (March 18), having not read Mr. Ray Close (March 16) on the "British Institute of Management Management." I have no objection to my managers joining "professional institutes." In fact I actively encourage it, where I think the potential dialogue will broaden the individual's approach to his job—but when he wants someone else to fight his battles, then in my opinion, he forfeits the right to call himself a manager!

Someone please tell me where the buck stops and responsibility starts, or are we really a nation of sheep—waiting for a collective movement to where the grass is greener?

W. R. Bransgorn.  
East House, Hamble Hill Place, Esher, Surrey.

### Water rate rise

From Mr. R. Morris.

Sir—Together with other residents in this area, I have received my bill for the water rate and am appalled to see that this has risen by the alarming figure of over 84 per cent.

How can public authorities increase their charges by such a large proportion when individual income rises are pegged at a maximum of 10 per cent? Indeed, according to official figures, incomes are rising at under 7 per cent.

We hear of inflation coming down to single figures and how everyone is going to be better off, but if it is open to the growing nationalised sector to submit accounts which are not kept within the guidelines which apply to the private sector, I fear for the future of our country.

R. A. Morris.  
5, Wickes Green, Formby, Liverpool.

## To-day's Events

GENERAL

Labour Party national executive meets.

Mr. Eric Varley, Industry Secretary, announces future plans for the steel industry, and also answers Commons question about development plans for British Leyland.

TUC General Council meets.

Rail pay talks resume.

Mr. Andrew Young, U.S. Ambassador to the United Nations, arrives Lusaka prior to addressing the Council of Ministers.

Report on health and safety in the construction industry.

Mr. F. A. Laker, chairman and managing director, Laker Airways, is guest speaker at Canada-U.K. report. Motion on EEC document on Cyprus.

House of Lords: Debate on recommendations made in reports of Committee on Mentally Abnormal Offenders. Debate on sale of arms to China.

OFFICIAL STATISTICS

Capital expenditure by manufacturing, distributive and service industries; and manufacturers' and distributors' stocks (fourth quarter, revised). Bricks and cement production (February).

COMPANY RESULTS

Ben (half-year). C. T. Bowring and Co. (full year). Molins (full year). Rockware Group (full year). Thomas Tilling (full year). Tube Investments (full year).

COMPANY MEETINGS

See page 25.

# VISIT THE SCOTTISH NEW TOWNS IN LONDON.

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### monetary alanche

Mr. G. Myddelton.

The persistent melting of the value of the pound which really started with the devaluation of gold coins, is probably reaching its limit.

It seems never seem to end and what isn't in the text but something that has happened before is probably to happen now—a monetary alanche—when the mass of paper money will collapse in a frantic attempt to achieve conversion into gold coins. We hope that this will never happen and that they can go on without ever paying for what they have borrowed in four years later the new only worth 11.2 per cent of its original value in gold coins. The Swiss have managed to keep the very last steam engine paddle ferry, Lincoln Castle, on the Humber, left in service in English (as opposed to Scottish) waters, still going, as a tourist attraction.

Government intervention is needed in this case. The local authorities are obviously incapable of shouldering the burden of a national rather than a local matter and the English

### Keep the ferry

From Mr. J. Potter.

Sir—Vintage transport on road rail and in the air either makes or breaks the business of big news these days and in this context surely Sealink's efficient accountants can cook up some way of keeping the very last steam engine paddle ferry, Lincoln Castle, on the Humber, left in service in English (as opposed to Scottish) waters, still going, as a tourist attraction.

Government intervention is needed in this case. The local authorities are obviously incapable of shouldering the burden of a national rather than a local matter and the English

### Site value taxes

From Mr. A. Gray.

Sir—Mr. Brady (March 18) is clearly confused about the simple notion of collecting site value taxes for communal purposes. He obviously cannot see the radical change that would occur if this method were to replace the current main taxes on production—income and corporation tax and the employer's national insurance contribution.

To all his understanding, let me postulate a situation in which the main source of State revenue arises by the collection of annual site value. This value would be ascertained by the interplay of the individual's desire and financial capability, with the market. Essentially, all land users compete towards the central or prime sites and thus the market establishes a high annual rental. The man that can afford, and wants to pay, the highest price becomes the proprietor of the most central site. At the other end of the scale, the site at the margin commands no competition, falls freely to the proprietor with little or no means.

The beauty is in a man being in complete control of his destiny within the constraints of his gross income. The effect is the high-priced central sites used intensively and efficiently while the marginal sites allow cheap living and become a cultivating ground for the young and competitive, places for new ideas to be tested, the sites where innovation develops freely. This is not at all the picture of chaos dreamed up by Mr. Brady, but the precise opposite. Harmonious order, balance and plenty of funds flowing into the Exchequer.

This system is a world apart from nationalisation, for true liberalism has no need or desire to control. Only state Socialism has the fear that the individual cannot be trusted. In fact, because this system can only collect the market value of a site it is dubbed a "natural" system and has for its overseer the Inland Revenue and not Parliament. Hence the individual remains, like the yeoman of old, free and independent in control of the land he uses.

Adrian Gray.  
31, Russell Road, Wimbeldon, S.W.19.

# 'Imps' forecasts first-half profit drop

AN "APPRECIABLE decline" in first half profits was forecast by Mr. John Pile, chairman of the Imperial Group, at the annual meeting yesterday. He said that trading results were lower in the first three months than in the equivalent period last year and he expected that trend to continue.

But Mr. Pile was much more hopeful for the second half, looking for a reduction in personal taxation to increase demand for Imperial's consumer products. Overall, he anticipated that results for 1978 will prove "at least as good as those for 1977."

## Real ale for the North

Mr. Pile replied that the new brewery would be able to produce lager, unlike the existing breweries. And after the meeting he added that he could not predict whether or not the older breweries might be closed, one day or not. This depended on how the beer industry developed in future years. But if closure did become necessary, there would be full consultation with the unions several years beforehand. CAMRA also suggested that Courage (an Imperial Group subsidiary) should supply real ale to the North in the same way as Watney, Allied Breweries and Whitbread. Mr. Pile replied that demand in the North had not so far warranted the introduction of cask-conditioned beer there, but the situation would be monitored. Most of Mr. Pile's address to shareholders was taken up with his views on the business climate generally. He opposed legislation to compel more information in annual reports and complained about the number of policy reversals by Conservative governments. He hoped that a more "cohesive" approach could be achieved and proposed a body "representative of many groups concerned with our industrial success" to report publicly on the issues of the day and send representatives to "Neddy."

## Skol Breweries growth slows

Allied Breweries' Dutch subsidiary, Skol Breweries, saw a slowing down of its profit growth in 1976-77 although sales increased more strongly. Net profit rose 3 per cent. (12 per cent. in 1975-76) to £15.7m, while sales rose 14 per cent. (8 per cent. in 1975-76) to £15.39m.

The stagnation of profits was due to fierce price competition and a higher tax charge. Skol said in its annual report for the year ended September 24. The company was able partially to compensate for this and for the poor summer

## COMPANY HIGHLIGHTS

Armstrong Equipment	Sanger (J. E.)
Bemrose Corp.	Talbot
Cope Allman	Tomatin Distillers
Garton Eng.	Turner (W. E.)
Gillett Discount	Waxmoughs
Imperial Group	Weir Group
Morrison (Wm.)	Western Motors
Rediffusion	

weather, by increasing efficiency, expanding its wine and spirits operations and raising exports. The company is continuing to expand its sales of Skol beer but brand loyalty to other Dutch beers means this is a slow process. Skol has an estimated 15 to 20 per cent. of the Dutch beer market.

## Garton Eng. advances by 28%

WITH TURNOVER up from £9.05m to £11.7m, taxable profit of Garton Engineering climbed 27.9 per cent. to a record £1.05m in 1977 compared with £821,000 previously.

Mr. Aubrey Garton, the chairman, says that the result was achieved despite the improvement in world trading conditions, which had increased profits in 1976, falling in the second half of 1977.

At half-year profit was ahead from £343,000 to £502,000. Investment continued.

Mr. Garton says trading in the early part of the current year has not shown the degree of improvement achieved in the corresponding period last year, although sales figures are marginally ahead. For this reason the profit increase for the latest year is not expected to match the rise in 1977 and 1976.

Satisfactory results are however expected through continued efforts to increase efficiency and improved home and overseas market penetration.

The result for this manufacturer and distributor of precision engineering components and fasteners is before a £32,000 extraordinary profit from the sale of quoted investments. Net profit comes out at £567,000 (£383,000).

Earnings per share are shown at 18.1p compared with 12.5p last time.

A final dividend of 3p takes the total payout for the year to 21p net per 10p share.

## Comment

Garton Engineering's near 30 per cent. advance in pre-tax profits

for the year owes much to a good contribution from its forgings and pressings products and special parts. These increased sales from around £3.75m to £5m, out of a total turnover figure of £11.7m. The products are designed to customer specifications and as such there is a more flexible pricing policy. However, the general level of industrial activity showed a slowdown in the second half, and Garton's profits advance was trimmed from a first half gain of 46 per cent. to a second half improvement of 14.5 per cent. However, the group has a broad customer base with only 22 per cent. of output linked to the motor industry so there should be some cushioning in the current year. Meanwhile the group has managed to reduce its overdraft by over a tenth to £238,000. The shares at 87p (up 4p) stand on a p/e of 5.2 and yield 10.3 per cent.

## Wolf Tools climbs to peak £2.7m.

ON TURNOVER of £16.28m, compared with £14.03m, previously, pre-tax profit of Wolf Electric Tools (Holdings) advanced from £2,394,592 to a peak £2,687,945 in 1977. A one-for-two scrip issue and a £1m increase in authorised capital to £3.5m are proposed.

At half-time profit was up from £9,59m to £12.1m, and directors predicted satisfactory full-year results. After tax of £1.44m (£1.25m), net profit emerges at £1.25m (£1.18m), before extraordinary debits of £94,525 against credits of £151,580 last time.

Mr. G. M. Wolfe, chairman, says the strengthening in sterling in the year resulted in profits of overseas subsidiaries being reduced by £91,948.

Earnings per 25p share are shown at 14.51p (£13.7p).

The annual dividend is 1.8p compared with 1.7p and will absorb £163,337 (£146,143).

## BOOKER MCCONNELL

Due to a typographical error the comment on Booker McConnell yesterday showed profits growth

on the food distribution side at 7 per cent. This figure should have been 77 per cent.

## Second half downturn at Bemrose

TURNOVER FOR 1977 of Bemrose Corporation rose from £33.02m to £39.59m, but pre-tax profits fell from £2.19m to £1.78m after a marginal increase from £1.12m to £1.16m. In the first half.

The directors say that profits slipped back mainly because of the sharp downturn in world demand for printed polyester fabric. These increased sales from around £3.75m to £5m, out of a total turnover figure of £11.7m. The products are designed to customer specifications and as such there is a more flexible pricing policy. However, the general level of industrial activity showed a slowdown in the second half, and Garton's profits advance was trimmed from a first half gain of 46 per cent. to a second half improvement of 14.5 per cent. However, the group has a broad customer base with only 22 per cent. of output linked to the motor industry so there should be some cushioning in the current year. Meanwhile the group has managed to reduce its overdraft by over a tenth to £238,000. The shares at 87p (up 4p) stand on a p/e of 5.2 and yield 10.3 per cent.

A contributory factor in the loss was the reduced sterling currency value of exports. Earnings are shown to be down from 10.84p to 7.77p per 25p share. The final dividend of 1.914p net lifts the total to 2.688p to £2.68p on capital increased by the right issue last May. Treasury permission has been obtained.

Extraordinary items include £52,000 for goodwill written off plus £22,000 for closure and relocation costs arising mainly out of the transfer of the specialist typesetting activity from Preston to Derby.

The programme of plant modernisation, which contributed to the results, continued to receive a high priority with record 1977 investment in 1977. As a result, actual corporation tax payable is again minimal, due primarily to the effect of capital allowances.

Bemrose's full year figures have been hit by the problems in its transfer print activities. A turnover of over £600,000 in 1977 was lost due to a loss in transfer print caused by the worldwide slump in polyester fabrics caused by a sluggish demand, and overcapacity in the market which in turn has depressed prices. However, the group's other activities—flexible packaging, printing and publishing—offered some support. The weakness in the second half, taxable profits down from £1,06m to £823,000, was not helped by the downturn in the contribution from cartons. Demand for cartons had been hit by the poor summer which led customers such as Walls to reduce their order intake. Flexible packaging sales increased 17 per cent. to £11m, thanks to continued recovery from large customers such as Rowntree and Unilever, while on the printing side the jump was from £18.7m to £14m. There are no balance sheet strains, net borrowings of £3.5m, account for only 38 per cent. of shareholders funds. At 65p (down 1p) the shares stand on a p/e of 8.1 and yield 9.2 per cent.

## DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Armstrong Equip.	1.91p	May 16	0.75p	2.66p	2.66p
Bemrose Corp.	1.91p	June 2	1.23p	3.14p	2.66p
Cape Allman	0.88p	May 24	0.8p	1.68p	1.73p
Cope Allman	1.54p	June 30	1.4p	2.94p	2.94p
1st Guessey Secs.	3.5p	May 4	3p	6.5p	5.14p
Garton Engineering	1.23p	July 4	1.7p	2.93p	2.03p
W. & E. Turner	1.23p	May 20	2.02p	3.25p	4.4p
J. E. Sanger	1.23p	May 24	1.7p	2.93p	2.71p
Southampton, L.O.W.	5.51p	May 24	5.51p	11.02p	11.02p
Tomatin Distillers	2.23p	May 5	1.09p	3.32p	2.23p
W. & E. Turner	1.23p	May 5	1.09p	2.32p	2.23p
Web Group	3.51p	June 9	3.12p	6.63p	4.73p
Western Motor	1.54p	June 3	1.55p	3.09p	3.09p
Wolf Electric Tools	1.9p	May 17	1.7p	3.6p	3.6p

Dividends shown pence per share net except where otherwise stated. Equivalent after allowing for scrip issues. † On capital increased by rights and/or acquisition issues. ‡ 1988/89 total forecast.

## CAI does better than expected in first half

ALTHOUGH pre-tax profits of Cope Allman International were down from £23.94m to £23.74m for the six months to December 31, 1977, the directors are confident that the company's performance will be better than expected in the first half of 1978. Mr. Louis Manson, the chairman, then said that profits for the first half would be some 15 per cent. less, because of a downturn in consumer spending in the second quarter.

The directors now say that they do not expect any significant increase in demand to occur in time to materially affect the second half. But they point out that group profits are invariably higher in the latter half of the year. Profit for the whole of 1977 was a record £29.7m.

Earnings for the half year are shown to have fallen from 4.38p to 3.7p and the interim dividend is lifted to 1.54p (1.4p) net per 5p share. And the directors forecast a 1987/88 (1.73p) final payment. The interim dividend of 4.38p is a 1.9p increase on the 1976/77 interim dividend of 2.48p. The interim dividend is lifted from 0.8p to 0.85p and directors intend to pay a maximum permitted total of 1.988p (1.728p) net per 5p share for the full year.

Mr. Chapman says that despite capital expenditure of £261,000, there has been an improvement in the group's cash position, mainly as a result of strict control over working capital. The group's capital and particularly stocks, will increase in the remainder of the year in anticipation of high levels of trading at nearly all subsidiaries.

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## Tomatin Distillers jumps 70% to £731,000

AFTER A 45 per cent. increase to £363,000 at half-year, Tomatin Distillers ended 1977 with pre-tax profit 70 per cent. ahead from £450,000 to £731,000.

Turnover for the period increased 34 per cent. from £7.5m to £10.0m. Last year's production of whisky was up 300,000 gallons to 2.3m gallons.

Net profit emerges at £436,000 (£275,000) after tax of £299,000 (£194,000). Last year's profit was an extraordinary debit of £21,000. Earnings per 25p share are shown at 17.44p (£13.76p). A final dividend of 2.216p (£1.876p) takes the total from 2.122p to 4.332p. The total cost is £163,000 (£145,000).

Mr. Richard Callingham, chairman, in criticising the Government's attitude towards the Scotch whisky industry says that if its projected move towards indirect taxation in the next budget means still higher duty on Scotch whisky, the company could make a case for a reduction in the duty. The company's revenue from duty increases in the past 21 months, Treasury income was down £28m, he says.

## Western Motor up to £0.69m.

A £450,490 leap in pre-tax earnings to a record £269,928 is reported by Western Motor Holdings for 1977, on sales ahead from £15.88m to £19.66m. Halfway profit was up at £510,000, against £153,000.

Earnings per 25p share for the year are stated at 28.18p (10.08p) and a second net interim dividend of 1.54094p lifts the total to a maximum permitted 2.20094p (1.95594p).

Management trading figures to date for 1978 show a satisfactory start. Given a reasonable economic climate and steady production at the company's factories, there is no reason why the profit for the current year should not show an advance, the directors say.

The company's interests include retail motor trade activities, car delivery, and contract hire and leasing of vehicles.

1977 1978  
Sales 19,661,173 15,880,864  
Pre-tax profit 269,928 153,000  
Tax 21,000 21,000  
Profit 248,928 132,000  
Extraordinary 237,445  
Attributable 486,373 264,000

## GRAND MET.

Grand Metropolitan announces that the holders of some 84 per cent. of the 10 per cent. Con-

## U.S. setback pushes Sanger into the red

FOR THE first time in its history, J. E. Sanger, the meat trading group, reports a pre-tax loss amounting to £532,000 for the nine months to December 31, 1977, compared with a profit of £556,000 for the six months to September 30, 1976. Turnover stood at £57.44m, against £55.23m.

The two major factors affecting the result were trading problems in the U.S. coupled with a poor performance from the Astro meat retail division. Although market retail division have already been taken to return them to profit.

Mr. Jim Sanger, the chairman, says that overall the meat trading side has improved, especially over the last two months, and he anticipates a better performance in the remainder of the current 15-month period.

Mr. Sanger's firm, pre-tax loss compounded by a fall of 10p in the price of meat, has been hit by a recession in world meat eating, allied to over production by major producers countries. The group has been hit by a recession in world meat eating, allied to over production by major producers countries. The group has been hit by a recession in world meat eating, allied to over production by major producers countries.

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## ISSUE NEWS

## Yearlings slip further

The coupon rate on this week's batch of one year local authority bonds has slipped further, from 11.5 per cent. to 11.25 per cent. The 1981 issued at par and carrying a coupon of 10 per cent.

This week's issues are: Grimsby Borough Council (£1m), Greater Manchester Passenger Transport Executive (£1m), Lanark District Council (£1m), City of Stock-on-Trent (£1m), Hereford District Council (£1m), Beverley Borough Council (£1m), Brentwood District Council (£1m), South Wight Borough Council (£1m), Doncaster Metropolitan Borough Council (£1m), Nunston Borough Council (£1m), North-East Pile District Council (£1m), Radnor District Council (£1m), North Norfolk District Council (£1m), Bassetlaw District Council (£1m), Highland Regional Council (£1m), Kirkcaldy Metropolitan Borough Council (£1m), Middlesbrough Borough Council (£1m), West Dorset District Council (£1m), and City of Salford (£1m).

Two year bonds carrying a coupon of 8 1/2 per cent. issued at par and due on March 19, 1980 are issued by: Merseyside Passenger Transport Executive (£1m), City of Bradford Metropolitan Council (£1m), Hart District Council (£1m), Thurrock Borough Council (£1m), and London Borough of Newham (£1m). Rushcliffe Borough Council has raised £1m. by way of a two-and-a-half year bond due on September 17, 1980, issued at par and carrying a coupon of 10 per cent.

## King & Shaxson very la

Limited	
SE Capital SEC 3PD	
Gift: Edged Portfolio Management	
Service Index 21.3.78	
Portfolio I Income Offer	88.44
Portfolio II Income Offer	87.97
Portfolio II Capital Offer	137.68
Portfolio II Capital Offer	134.79

## EVOLVE HOLDINGS

Manufacturers of adhesives, sealants, building chemicals, bitumen products, paints, components for the shoe industry and roof waterproofing and joint sealing contractors.

Extracts from the Statement by the Chairman, Dr. H. Simon, C.B.E.

Results: Sales of £23,218,046 were satisfactory against the figure of £18,763,211 for last year. Whilst the first half year Trading Profits were as planned, increasing costs and a fall in demand during the last quarter of the year meant that the Profits for the full year were below expectations.

The Directors propose a scrip issue of one ordinary share for each existing share held.

Future: Volume sales growth and profits have remained difficult in certain sectors during the first quarter and satisfactory in others. This trend is expected to continue into the second quarter, but thereafter it is expected that sales and profits will become more buoyant, and I look forward to continued progress in the present financial year.

Summary of Results

	1977	1976
Turnover	£'000 23,218	£'000 18,763
Group profit before taxation and extraordinary item	1,483	1,450
Taxation	499	770
Group profit after Taxation	984	680
Dividend 2.284p per share (1.988p)	172	148
Earnings per share	12.11p	8.61p
Net Asset value per 20p share	84.73p	59.25p

Copies of the Annual Report & Accounts for the period ended 1st October, 1977 may be obtained from The Secretary, Evolve Holdings Limited, Common Road, Stafford ST16 3EH. Tel: 0785 57755



# Essex Water Company

## Mr. A. W. White's statement to Stockholders

### Consumption

The overall daily consumption for 1977 was 76.5 million gallons, which compares with 77.1 million gallons in 1976 with its long dry summer and 78.5 million gallons in 1975. The demand for metered supplies by industrial and other consumers has declined steadily since 1973, the quantity supplied in 1977 being 141% below that for 1973, resulting in a considerable reduction in revenue over these years. On the other hand, the domestic or unmetered demand has continued to increase, although not as rapidly as had been anticipated.

### Charges to consumers

Arrangements have now been made for this Company to take over the billing and collection of sewerage and environmental services charges from four local authorities as from 1st April, 1978. These areas fall within the Company's area of supply. The billing and collection will be on behalf of either the Thames or Anglian Water Authorities for whom the local authorities formerly collected these charges.

Billing of these charges in the remainder of the Company's area of supply for the Anglian Water Authority will commence as from 1st April, 1979.

The effect on most consumers will be that from the appropriate dates they will receive from the Company one account, showing as separate items the Company's water supply charges and the Water Authority's sewerage and environmental services charges. The total bill will, therefore, be larger than the previous water supply account, but the appropriate local authority's General Rate demand will no longer include the sewerage and environmental services charge.

The Water Authorities will make appropriate payments to the Company for the extra work involved. The accounts for the year show a deficit of £225,000. Ever increasing costs, together with the reduction in the industrial demand for water, make an increase in the Company's charges inevitable from 1st April, 1978. The increases will be kept to a minimum consistent with the Company's statutory obligation to provide an adequate supply of wholesome water and will be subject to acceptance by the Price Commission.

Water Charges Equalisation Act

The provisions of this complicated and contentious Act become effective from 1st April, 1978 and it is expected that the Company will receive £48,000 in 1978 for the benefit of domestic consumers. This is equivalent to a deduction of less than 10p from the water rate payable by the average consumer for a full year, or a reduction in the rate poundage of less than 0.4 of a penny.

Capital Expenditure

Net capital expenditure during the year amounted to £2,142,000 and brings the historical total to £46,867,000.

Apart from work on additional trunk and dis-

tribution mains, the conversion of the Layer-de-la-Haye pumping station from coal fired steam boilers to electric power was completed and the construction of a new pumping station on the Stour aqueduct at Ardleigh was commenced. At Romford, a new computer block was completed and now houses the Company's new ICL 2904 computer which is functioning efficiently; work continues on the new South Essex Divisional Depot Complex.

### Changes in Capital

On 31st December, 1977 £250,000 of 3.5% (formerly 5%) preference stock, 1972/77 was redeemed at par.

### Reorganisation of the Water Industry

Last year I referred to the possibility of a further reorganisation of the water industry and while the threat to nationalise the 28 statutory water companies remains, the most recent Government White Paper indicates that nationalisation will not be proceeded with for the present. I believe this decision, for whatever reasons, is both right and helpful for the water industry and the country as a whole; it is to be hoped that good sense will prevail and that the companies will be left to continue to serve their consumers in co-operation with the Regional Water Authorities and National Water Council.

### The Queen's Silver Jubilee

To mark the celebration of the Queen's Silver Jubilee, Open Days were held at five of the Company's source works to which the public were invited. As a result of the large numbers attending and the considerable interest shown, it has been decided to hold similar open days each summer at selected works.

Conducted tours of the works for staff and families were also arranged; and the children of employees were presented with commemorative Silver Jubilee mugs, suitably inscribed and bearing the Company's name.

### Directors and Staff

It is with great regret that I have to record the death of Brigadier Gerald Shenstone on 5th November, 1977. Brigadier Shenstone became a director of the Southend Waterworks Company in December 1962 and joined the Board of the Essex Water Company on its formation in July 1970. He had a long and distinguished life and his wide knowledge and friendliness will be missed.

Mr. Paul Channon, M.P. for Southend West, has taken a considerable interest in matters affecting the water industry in Parliament and the Board is very pleased that he has accepted an invitation to join them in succession to Brigadier Shenstone.

I take this opportunity of thanking my fellow directors for their full support throughout the year and to express to all members of the staff my genuine appreciation of their continuing loyal service.

**23 Fenchurch Street, London EC3P 3ED.**



# WALL STREET + OVERSEAS MARKETS + FOREIGN EXCHANGES

## Early reaction after recent firmness

## Dollar improves

BY OUR WALL STREET CORRESPONDENT

THE RECENT rally on Wall Street and profit-taking in the wake of this morning, as stocks the useful recent recovery turned easier in much quieter trading.

The Dow Jones Industrial Average came back 5.37 to 788.45 at 1 p.m. and the NYSE All Stock Index lost 25 cents to 103.97.

Closing prices and market reports were not available for this edition.

350.32, while declines outpaced gains by nearly a seven-to-four margin. Trading volume continued to be heavy, with yesterday's heavy 1 p.m. figure of 10.66m.

Analysts said the market is being pulled by cross currents of institutional portfolio adjustments

MONDAY'S ACTIVE STOCKS

Stocks Closing on March 21, 1978

Change in Price

Volume

NYSE

NYSE

NYSE

NYSE

NYSE

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Markets in another moderate early trade yesterday. The Toronto Composite Index slipped 13.40 to 1,048.5 at noon.

Gold receded 7.9 to 1,249.5 and Oils and Gas softened 2.5 to 1,297.1. However, Banks hardened 0.52 to 249.43 and Papers 0.13 to 103.97.

PARIS—In the wake of Monday's upsurge on the governing coalition's re-election victory over the Left, Bourse prices tended to react yesterday as operators covered for the end of the month.

Engineering sector was firm, but the rest of the market was lower. CFC, CAC, Saint Gobain, Oreal, BNP, Suez, Peugeot, Perrier, Michelin and Galeries Lafayette being among leaders to relinquish some ground.

RUSSIA—Local issues put on an irregular performance in an moderate activity.

Canada easier

An easier tendency also developed on Canadian Stock

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Engineering sector was firm, but the rest of the market was lower.

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RUSSIA—Local issues put on an irregular performance in an moderate activity.

Canada easier

An easier tendency also developed on Canadian Stock

Markets. In another moderate early trade yesterday.

The Toronto Composite Index slipped 13.40 to 1,048.5 at noon.

Gold receded 7.9 to 1,249.5 and Oils and Gas softened 2.5 to 1,297.1.

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NEW YORK, March 21

60, but Torras Hostetler were 5 lower at 91 and Tubacex 4 cheaper at 85.

MILAN—Reversing Monday's gains, some prices generally retreated in moderate trading, with domestic political considerations and a sharp drop in Montedison shares pulling the market down.

Montedison fell 11.5 to 1,148.25 on the announcement of plans to write down the share capital and raise new funds through a "rights" and bond issue.

HONG KONG—Shares improved

fresh in active trading, particularly Blue Chips, with small investor buying adding to recent strong sentiment.

The combined turnover of the four Stock Exchanges was \$3,755.97m, the heaviest since December 23, 1976.

Dealers noted strong buying of Swiss Pacific and Hutchison, which rose 10 cents each.

SHK20 and SHK4125 respectively, while Hong Kong Wharf gained 20 cents to SHK13.90.

TOKYO—Market was closed yesterday for the Vernal Equinox holiday.

JOHANNESBURG—Gold shares lost further ground in line with lower Bullion prices. Selling was fuelled by reports of renewed

South African gold output, although turnover was small.

AUSTRALIA—Industrials continued to show easier tendency, with BHP losing another 4 cents to \$45.62.

C. Coles recorded a 10-cent rise to \$41.85, while Jennings rose 4 cents to \$41.17.

W. R. Carpenter fell 15 cents to \$41.25 following lower profits.

Among Minings, Panconter lost 30 cents to \$48.90, while Gold stock fell on the lower London Bullion price, with Central Northern ending 40 cents weaker at \$48.20.

BH Stock, however, improved 4 cents to 83 cents.

NOTES: Overseas prices shown below include a premium.

1. All prices are in U.S. dollars unless otherwise stated.

2. All prices are in U.S. dollars unless otherwise stated.

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and was little changed at 3.03 per cent compared with 2.99 per cent in the international market.

Closing levels were generally around the best of the day for the dollar, and its trade-weighted index on the basis of the Washington Currency Agreement of December, 1971, as calculated by the Bank of England, rose to 90 from 89.7.

In terms of the Swiss franc the dollar improved to Sw.Frs.1.53875 from Sw.Frs.1.5190, and was slightly firmer against the 10-mark at DM2.0473, compared with DM2.0473. The Japanese yen rose slightly against the dollar, however, to close at Y231.10, compared with Y231.40 on Monday.

Sterling's trade-weighted index, on Bank of England figures, was unchanged at 63.9, after standing at 63.8 at noon and in early trading.

The pound opened at its firmest level of the day in terms of the dollar, at \$1.9201-1.9202, but fell to \$1.9185-1.9186 as a reflection of the dollar's improvement.

Sterling improved from time to time, but returned to \$1.9185-1.9186 at the close, a fall of 70 points on the day.

Gold fell 32 cents to \$177.1775.

The metal opened at \$177.1775, and declined in fairly quiet trading.

The Kruggerand's premium over its gold content eased to \$1.7 per cent from \$2.7 per cent for domestic delivery.

U.S. \$ 4 1/2 Toronto 5 1/2 = 112.48 1/2 Canadian cents

Canadian \$ 1 1/2 Toronto 5 1/2 = 112.48 1/2 Canadian cents

Sterling in Milan 182.00-182.30

Sterling in London 182.00-182.30

Sterling in New York 182.00-182.30

Sterling in Paris 182.00-182.30

Sterling in Rome 182.00-182.30

Sterling in Tokyo 182.00-182.30

Sterling in Hong Kong 182.00-182.30

## INTERNATIONAL FINANCIAL AND COMPANY NEWS

## NORTH AMERICAN NEWS

## Curtiss-Wright moves to comply with Utah ruling

BY JOHN WYLES

NEW YORK, March 21.

CURTISS-WRIGHT was today taking steps to remedy its little local difficulty with the state of Utah which is claiming that the company's purchase of nearly 10 per cent. of the stock of Kennecott Copper Corporation has violated its takeover disclosure law.

Utah's Department of Business Regulation told Curtiss-Wright yesterday that the purchase of Kennecott stock constitutes a takeover bid under the state law and that the company should have filed a registration state-

ment 20 days in advance of the offer. Utah claims some jurisdiction in the affair because it houses some two-thirds of Kennecott's 10,000-strong workforce. It is still unclear whether its demand for immediate registration material is anything more than a procedural blip in Curtiss-Wright's so far obscure strategy.

The New Jersey-based manufacturer of aerospace components said today that it did not believe that the Utah statute applied but that as a matter of courtesy

it would provide the information which had been requested. Utah had advised that this would be satisfactory compliance with its law, added Curtiss-Wright.

The purchase of Kennecott stock was disclosed last week in a filing with the Securities and Exchange Commission which requires disclosure of acquisitions of 5 per cent. or more of a company's stock. Curtiss-Wright was, and still is, enigmatic about its intentions but its statement to the SEC discussed the possibility of a bid for representation on Kennecott's Board with the aim of forcing a divestiture of some of the company's assets.

But Curtiss-Wright, whose market valuation of \$155m. is modest in comparison with Kennecott's \$800m., did not rule out a full-scale takeover bid and claims that it has major lines of credit open with a number of leading U.S. and foreign banks.

The importance of satisfying Utah lies in the fact that the State has threatened to try to prevent Curtiss-Wright from voting its shareholdings. This would put a serious obstacle in the way of a proxy fight for Board representation at Kennecott's annual meeting on May 2.

we are progressing and we hope to complete limited commercial services in MWD by early next year.

3. The development of production tools and services continued at a good pace. All units in North America, as in the rest of the world, did well. Activities of Flopetrol, Johnston and Marco are growing along three main avenues: production engineering, reservoir testing and workover services.

4. Measurement and Control operations have a great opportunity for growth, particularly in the area of Energy Management products. In North America, progress at Sangamo resulted from higher sales of without meters and transformers, triggered by an active construction market. The advanced European technology in electricity load management is in the process of being introduced in the U.S.

All manufacturing, engineering and marketing functions of the Sangamo-Weston Energy Management division now located in Springfield, Illinois, will be regrouped in South Carolina and Georgia.

The European economy was not as strong as the U.S. economy. The demand for capital goods and consumer products was sluggish in most European countries, whether they had a high or low inflation rate, whether they had a large surplus or deficit in their balance of payments.

Economic stagnation was the common denominator of Europe in 1977. In spite of these circumstances resulting in almost flat revenue expressed in constant currencies, sales of electricity-product lines gained throughout Europe whereas profits improved significantly, mainly in England, Belgium and Spain.

To meet these four challenges, the year 1977 was a good start. We are on the right track. I have more concern over the future of the economic environment than over the future of Schlumberger. Businessmen generally tend to overemphasize the political risks. They certainly exist, particularly in a year when countries like France and Italy might experience political changes. However, a much greater danger is economic uncertainty. I believe that, since the end of the Bretton Woods monetary agreement in 1971, the greatest threat to economic progress is the floating of currencies and resulting chaos in the international monetary system or lack of system.

One can never predict the ups and downs of the future, but whatever the circumstances, a well-knit organization has resilience. I know that Schlumberger is in the right business, that we have the products, the organization, and above all the people to do the job.

## FIVE YEAR SUMMARY

	1977	1976	1975	1974	1973
Revenue:					
Oilfield Services	\$1,310.1	\$1,005.0	\$844.9	\$625.7	\$453.3
Measurement & Control	\$30.2	\$05.3	\$20.7	\$74.4	\$10.3
Interest and other income	45.4	29.6	32.0	16.6	17.3
	\$2,205.7	\$1,039.9	\$1,557.6	\$1,218.7	\$980.9
% Increase over prior year	19.9%	16.0%	30.3%	24.2%	16.7%
Costs of goods sold and services	\$1,230.9	\$1,071.3	\$960.2	\$742.6	\$612.4
Operating income:					
Oilfield Services	\$540.0	\$382.7	\$399.3	\$218.0	\$134.9
Measurement & Control	93.4	77.4	63.7	38.0	29.7
Eliminations	(1.1)	(2.1)	(1.8)	(4.1)	(1.8)
	\$632.3	\$458.0	\$461.2	\$255.6	\$163.8
% Increase over prior year	37.5%	27.3%	41.3%	56.0%	33.6%
Interest expense	\$16.1	\$15.1	\$24.0	\$21.5	\$15.9
Taxes on income	\$248.0	\$187.6	\$125.4	\$83.6	\$37.7
Net income	\$401.5	\$265.3	\$219.3	\$147.6	\$82.4
% Increase over prior year	37.0%	33.7%	48.6%	59.7%	31.6%
Net income as % of revenue	18.2%	15.9%	13.3%	12.1%	9.4%
Return on average stockholders' equity	23.3%	25.4%	25.9%	23.4%	17.2%
Fixed asset additions	\$212.0	\$186.9	\$222.1	\$162.6	\$114.6
Depreciation expense	\$159.3	\$130.3	\$99.1	\$74.1	\$62.2
Per common share:					
Net income	\$4.66	\$3.41	\$2.61	\$1.79	\$1.13
Cash dividends declared	\$0.95	\$0.80	\$0.43	\$0.34	\$0.24
Average number of shares outstanding	85.8	85.9	83.9	82.6	82.1
AT DECEMBER 31—					
Working capital	\$786.1	\$625.2	\$456.6	\$309.1	\$290.4
Total assets	\$2,345.3	\$1,995.1	\$1,715.7	\$1,327.6	\$1,057.3
Stockholders' equity	\$1,349.9	\$1,279.6	\$1,038.1	\$899.2	\$575.9

\*Revised of Sangamo Electric Company have been consolidated with Schlumberger, beginning July 1, 1975.

Certain information relating to directors' share dealings and group companies, required by The Stock Exchange in London to be made available, may be inspected during the next three weeks during usual business hours at Kleinwort, Benson Limited, 20 Fenchurch Street, London EC3P 3JD, from whom copies of the full Annual Report may be obtained.

## Pet offers \$94.3m. for Hardee

By Our Own Correspondent  
NEW YORK, March 21.

ANOTHER move in the restructuring of America's fast-food industry has been announced with a proposal by Pet to acquire Hardee Food Systems of Rocky Mount, North Carolina.

Pet is offering stock worth \$20.50 for each of Hardee's shares, valuing the transaction at \$94.3m.

Pet manufactures, markets and distributes food products and store equipment and operates specialty retailing outlets, including roadside stores. Hardee's has over 1,000 fast-food restaurants, 365 of which are company owned with the remainder franchised.

Domtar in U.S. purchase  
By Our Own Correspondent  
MONTREAL, March 21.

DOMTAR, the Montreal-based construction materials, pulp and paper and chemicals group, is planning to buy virtually all of the assets of the U.S. firm of Kaiser Cement, part of the Oakland, California-based Kaiser Industrial group, will invest the proceeds in cement modernization, and possibly use some for acquisitions. The deal is due to be closed on April 3.

Dayton Hudson bid agreement  
CALIFORNIA, March 21.

DAYTON HUDSON Corporation and Mervyn's have signed a definitive agreement for Mervyn's to become a wholly-owned subsidiary of Dayton Hudson.

As announced in January, terms of the transaction provide for the exchange of 2.8 of a share of Dayton Hudson common stock for each share of Mervyn's common stock outstanding on the date of the merger.

Directors of both companies have approved the transaction but it remains subject to approval by shareholders of both companies as well as other conditions. Both companies have annual meetings due to be held on May 24.

Copperweld hopeful  
PITTSBURGH, March 21.

COPPERWELD Corporation's chairman, president and chief executive, Mr. Anthony J. Byrne, said in the annual report that he expects 1978 to be "an encouraging year. Significant profit improvements are expected in the steel and tube divisions."

He also added that "restructuring and internationalisation" of the bimetallic business will continue and should result in "modest improvements" in 1978.

The company said its backlog on December 31, 1977, was about \$100m., compared with \$79m. the previous year.

Last year Copperweld earned \$16.3m., or \$1.21 a share, adjusted for a two-for-one stock split paid on April 27, 1977, on sales of \$346.9m.

AP-DJ

## Sears, Roebuck earnings decline in final period

By Stewart Fleming  
NEW YORK, March 21.

SEARS, ROEBUCK, the largest U.S. store chain reported disappointing fourth quarter earnings as it sought to boost its market share showed further signs of eroding profitability at the company's retail outlets.

While rival stores chains, including the nation's number two J. C. Penney, have reported record fourth quarter earnings as a result of the Christmas spending spree, Sears said today that fourth quarter net income fell from \$312.7m. in 1976 (88 cents a share) to \$251.8m. (78 cents a share) last year.

Allstate reported net income of \$110m. in the fourth quarter compared with \$89m. in the fourth quarter of 1976.

For the year as a whole, Sears' net income totalled \$837.9m. operations to keep earnings moving forward. Thus for the whole of 1977 the upturn in the insurance underwriting cycle and strong investment income rises have meant that Allstate contributed \$417m. to Sears' income for the year compared with \$245m. in the 1976 earnings.

The well-known cyclical nature of insurance and the cyclical trends in its efforts to lead to some degree of stability in the company's profits may be moving towards greater volatility.

But Mr. Telling said today that Sears expects to improve its performance in 1978 "while continuing to offer quality merchandise at competitive prices throughout the nation."

He added that the outlook for 1978 is favourable with further gains ahead for the economy "although at a slower rate" than last year.

Most noticeably the company has become increasingly dependent on the profitability of its "currently booming" insurance

should climb to \$95m. from \$81.3m. A tax loss carry forward to be used during the first quarter is commensurate with one quarter's earnings on sales to \$1.5m. Mr. Telling said.

Warnaco, which had been particularly slow to recuperate from the 1975-76 recession, first suspended its 20-cent-a-share quarterly dividend on common stock in August 1976. Dividends on its three preferred issues were subsequently deferred but last December it announced payouts on these issues.

The Board will be able to consider a common share dividend by the end of 1978 because, by earning the projected \$12m. the company will be free of dividend restrictions contained in loan agreements.

Mr. Walker attributed the improved performance to consolidation moves and a corporate

AP-DJ

TRW cautious on first quarter  
CLEVELAND, March 21.

TRW is off to a strong start in 1978 and expects sales of earnings to rise from all three major business sectors and for most products groups, says Mr. Ruben F. Mettler, the Chairman.

The company has realised its objectives in improving the balance sheet and expects to have sufficient internally generated funds to meet 1978 needs, he added.

First quarter results have been adversely affected by unusually severe weather in the east and mid-west and by limited effect of the coal strike, Mr. Mettler said, but the company expects to show a sales and earnings gain. However the earnings

gain is unlikely to match the 20 per cent. rise reported for the fourth quarter of 1977.

TRW last year earned \$154.2m. or \$4.77 a share on sales of \$3,265m. Fully diluted earnings were \$4.21. For the first quarter net was \$31.7m. or 96 cents a share on sales of \$776.9m. and the fully diluted share net was 96 cents.

Mr. Mettler said the previously reported 20 per cent. rise in fourth quarter net was partly produced by several non-operating factors such as a gain on foreign currency translations in contrast to a currency translation loss a year earlier and a gain on the sale of a subsidiary.

Stripping away all non-operating and non-recurring factors

the company's estimate is that "underlying" operating profit for the fourth quarter was between 13 per cent. and 14 per cent. higher than a year earlier.

For the full year such "underlying" operating profit was up 12.9 per cent. from 1976. Net earnings reported for the year including the unusual elements was up 16.8 per cent. from 1976.

On the other hand, in 1977 the company took additional steps "to improve the quality of our earnings," Mr. Mettler said. It made another in a series of moves to fund pension liability more conservatively. TRW reports Reuter from New York. The company has raised its dividend with the May payment in every year since 1973.

AP-DJ

## Green Giant ahead in third quarter

LE SEUR, March 21.

GREEN GIANT, the food canning group, reported earnings for the third quarter of its year at \$2.7m. or 55 cents a share against \$2.5m. or 53 cents in the previous year. Sales increased from \$111.9m. to \$129.1m. Earnings for the previous year include \$2.9m. income from continuing operations and \$300,000 loss on discontinued operation reports.

AP-DJ. At the nine month stage, net earnings are \$8.5m. or \$1.15 a share against \$8.3m. or \$1.07 a share against \$8.3m. compared with \$314.8m.

Third quarter and nine months figures for 1977 have been restated to reflect the acquisition of the Le Chateau Restaurant companies on a pooling of interests accounting basis. Discontinued operations reflect a June 9, 1977, agreement for the disposition of the assets except cash payable and accrued expenses of the company's Schweitzer and Copeland meat operations.

AP-DJ

Wheelabrator purchase  
HAMPTON, March 21.

WHEELABRATOR-FRYE HAS purchased 6 per cent. of 241,000 of Neptune International Corporation's 3.9m. shares.

Wheelabrator says the "purchase is just another investment."

AP-DJ

Optimism at Federal  
Federal Company, a diversified food concern, expects to report earnings of \$3.6m. or \$1.25 a share for the third quarter ended February 28 compared with \$1.5m. or 50 cents a share in the year ago quarter. Mr. R. Le Taylor, vice president, told AP-Dow Jones in Memphis.

For the nine months, earnings increased to \$8.4m. or \$3.25 a share compared with \$7.2m. or \$2.49 a share in the year earlier nine months.

Phillips upturn  
Phillips Petroleum said in its annual report that 1978 earnings "should be higher than the \$516.9m. or \$3.37 a share earned in 1977," reports Reuter from Bartlesville.

Occidental down  
Occidental Petroleum corporation said results so far in 1978 have been adversely affected by coal operation losses due to the U.S. coal strike and significantly reduced profitability from Libyan crude oil operations, reports Reuter from Los Angeles.

Penn Central stock  
The Philadelphia Stock Exchange said trading in Penn Central resumed with "unusually heavy volume," with the shares up 37.5 cents until trading was halted on news that the reorganisation plan had been approved.

Citicorp payment  
Citicorp has raised the quarterly dividend to 29 cents per share from 26 cents, payable May 1, reports Reuter from New York. The company has raised its dividend with the May payment in every year since 1973.

AP-DJ

## Y. J. LOVELL (HOLDINGS) LIMITED

MAIN GROUP ACTIVITIES: Building, Residential and Commercial Developments, Plant Hire, Timber Importing and Merchandising

A Year of Steady Growth  
SUMMARISED RESULTS

	1977	1976
Group Turnover	2000	2000
Profit before Taxation	54,111	47,337
Profit after Taxation	1,708	1,525
Ordinary Dividend 3.87p per share (1976-3.48p)	1,540	1,380
Earnings per Ordinary Share	22.5p	23.9p

(In accordance with ED19 proposal, 1977 charge relates solely to ACT. Comparative figures adjusted.)

Extracts from Address to Shareholders by the Chairman, Peter Trench  
"... Taking all things into consideration Lovell is in pretty good shape. Traditional contracting is still highly competitive but residential, commercial and industrial development has made up for the decline in recent months and we are relying on this sector to help make up for any decline in profits elsewhere this year."

"... After a dull start we are hopeful that timber division trade will pick up in the second half-year."

"... Work on our Nigerian projects is progressing well; we have set up a joint venture company in the USA and have reached agreement to establish a joint venture organisation in Saudi Arabia."

"... I am very pleased at the way that things are shaping and the continuing implementation of our corporate plan is producing a Group of Companies soundly based and well managed."

**Lovell**

## EDINBURGH AMERICAN ASSETS TRUST LIMITED

## A GROWTH OF CAPITAL TRUST

POLICY & STRATEGY  
Your Board believe that, over the long term, growth of capital will best be achieved by backing smaller companies whose managements are personally committed to the success of their companies. The opportunities available in North America to find such companies are relatively greater than elsewhere and the geographical exposure of your Company reflects this.

CANADA  
8.3% of Total Assets  
U.S.A.  
55.0% of Total Assets

	31st Dec 1977	31st Dec 1976
Total Assets	£33.3m	£31.1m
Net Assets	£24.4m	£22.1m
Equivalent per share to	122p	110p
Earned per ordinary share	1.58p	1.18p
Proposed Annual Dividend	1.10p	0.90p

Copies of the Report are available from:  
Ivory & Sime Limited, Investment Managers,  
1 Charlotte Square, Edinburgh EH2 4DZ.

مركز الاستثمار

## INTERNATIONAL FINANCIAL AND COMPANY NEWS

## GERMAN NEWS

## Sharp fall in Hoechst earnings

BY GUY HAWTIN

HOECHST, one of West Germany's big three chemical concerns, has reported a heavy drop in profits for 1977. Earnings for Hoechst AG, the parent concern, fell 12.1 per cent from DM788m. before tax to DM681m.

According to a to-day report, total world turnover dropped by 0.8 per cent from DM23.49bn. to DM23.3bn. Sales of the parent concern fell back by 2 per cent from DM9.65bn. to DM9.45bn. The percentage of export sales against turnover dropped from 50.9 per cent to 50.5 per cent.

Hoechst said that 1977 was not an easy year. Drastic changes in the foreign exchange rates had adversely affected overseas earnings and exports had also been

hit. In order to retain important overseas markets, it had been necessary to accept price cuts while the concern had also had to face increased competition at home.

Turnover had improved in the final quarter of 1977 compared with the previous months as a result of increased sales overseas, primarily in Asia and Eastern Europe.

Increased demand from the automobile market had improved metallic paint sales, while the printing plant business had also shown sales growth. New developments in herbicides had also generated a new demand in the plant protection sector.

Plastics and organic chemicals had shown slower growth, and, as with the fibres sector, were still operating at much less than full capacity.

Domestic capacity of Hoechst AG in the final months of 1977 was only utilised to an average of 70 per cent, while the workforce declined by 2.3 per cent below the level of the previous year. Despite this, earnings in the final quarter of 1977 declined even further.

Pre-tax earnings in the final quarter, however, were somewhat better than indicated by the 1977 results as a result of the new corporation tax reform. However, overall, Hoechst has not benefited from the reduced tax requirement as a result of

German corporation tax reform. A reduction of the dividend is not avoidable. However, the proposals put by the supervisory board envisage that domestic shareholders will enjoy an increase in real earnings after offsetting corporation tax paid on distributed earnings against personal income taxes.

During the opening months of 1978, there has been no real change in Hoechst's situation. The "alarming" decline in the value of the dollar has increased the concern's difficulties in overseas markets, and pressure on prices in many product areas has increased.

See Lex

FRANKFURT, March 21.

German corporation tax reform. A reduction of the dividend is not avoidable. However, the proposals put by the supervisory board envisage that domestic shareholders will enjoy an increase in real earnings after offsetting corporation tax paid on distributed earnings against personal income taxes.

During the opening months of 1978, there has been no real change in Hoechst's situation. The "alarming" decline in the value of the dollar has increased the concern's difficulties in overseas markets, and pressure on prices in many product areas has increased.

See Lex

## Dutch to take stakes in major companies

By Charles Batchelor

AMSTERDAM, March 21.

DUTCH GOVERNMENT plans to restructure the country's shipbuilding and heavy engineering industries will involve direct state participation in three companies.

The government will take a 40 per cent share in Holland's largest shipbuilding group, Rijk Scheide Verolme (RSV). It will also acquire 49 per cent in a new company to be formed by the diesel division of the VNF-Stork engineering group and 48 per cent in another new company formed from the dredging equipment division of shipbuilder IHC-Holland.

The problems of the loss-making shipbuilding industry and the more recent difficulties at VNF-Stork have led to a change in government policy which was previously aimed at encouraging a restructuring by means of loans and guarantees.

But its participation in the subsidiaries of VNF-Stork and IHC will still be kept to a minority stake. The parent companies will also retain an equal stake while the remainder will be held by an independent trust representing both partners.

The two ministers responsible for the plan, Mr. Gijzen, Minister of Economic Affairs, and Professor Willem Albeda of Social Affairs, described the plan as "the largest rescue operation since the war". It will require an injection of about 1.5 billion into VNF-Stork, IHC Holland, RSV and the smaller yard Van der Giesen-De Noord. Nearly 15,000 jobs will be saved while VNF-Stork will get 22,500, IHC-Holland 20,000, and Van der Giesen-De Noord 6,000 jobs out of the 46,000 in the heavy engineering and shipbuilding sectors but there is a difference of opinion over how many jobs will be lost.

## Lossmaking Swedish companies now planning to merge

BY WILLIAM DUFFLORCE

STOCKHOLM, March 21.

TWO Swedish companies, Billerud and Uddeholm, which reported heavy 1977 losses last week, to-day announced that they were planning to merge. The whole of the Billerud pulp and paper company would be fused with Uddeholm's forest-based operations and its small chemical sector.

Earlier this month, Uddeholm opened talks with SKF, the Swedish multinational roller bearing group, and the Fagersta steel company, on the merging of their special steel interests. If both mergers go through, Uddeholm would be left with its power plants.

Uddeholm has accumulated pre-tax losses of Kr.543m. (\$113m.) over the past two years, including Kr.384m. on a Kr.3.6bn. (\$566m.) turnover last year. Its

forest-based operations turned a loss of Kr.219m. on sales of less than Kr.700m. The company received a Kr.600m. interest-free state loan last year.

Billerud, too, plunged into the red in 1977, reporting a provisional pre-tax loss of Kr.120m. (\$25m.) on sales of Kr.1.46bn. (\$318m.). The shares of both companies are currently quoted at below their Kr.100 par value on the Stockholm stock exchange. Billerud at Kr.80 and Uddeholm at Kr.45 per share.

A communique from Billerud to-day said the merger talks would start at once and would be completed quickly. The plan had been agreed in principle by the two concerned workers' directors. Further details could be expected at a Press conference to-morrow.

## Higher loss for Boliden

BY OUR NORDIC CORRESPONDENT

STOCKHOLM, March 21.

THE low copper and zinc prices prevailing last year pushed Boliden into a pre-tax loss of Kr.114.7m. (\$24.9m.) before extraordinary items, according to the preliminary report from the Swedish metals and chemicals group. This is some Kr.75m. more than the loss made in 1976, but is Kr.15m. better than that forecast at the nine-month stage.

Sales grew by 13 per cent to Kr.2.8bn. (\$608m.).

The net adjusted loss is estimated to be Kr.4.4 share compared with a loss of Kr.3.4 share the previous year. And the Board proposes to pass the dividend.

The dividend had previously been successively cut from Kr.11 a share in 1974 to Kr.10 in 1975 and Kr.7 in 1976.

The Board expects to reverse the profit slide this year, although earnings will continue to be unsatisfactory, unless copper prices

firm up substantially. In November, Boliden sold Sala Boliden into a pre-tax loss of Kr.114.7m. (\$24.9m.) before extraordinary items, according to the preliminary report from the Swedish metals and chemicals group. This is some Kr.75m. more than the loss made in 1976, but is Kr.15m. better than that forecast at the nine-month stage.

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## Balance sheet rise at Austrian bank

By Paul Lendvai

VIENNA, March 21.

CREDITANSTALT, Bankverein (CA), Austria's number one bank reports a 14.3 per cent rise in its consolidated balance-sheet to an all-time peak of Sch.1.23bn. around \$83bn.

Taking the Creditanstalt group as a whole, which includes three regional banks as well as Avia, the car hire purchase institute, the aggregate balance-sheet at the end of last year totalled Sch.1.56bn., a rise of 12.6 per cent over the 12 months of 1977. Director-general Dr. Heinrich Treichl explained the growth was helped along by what he described as the "unpleasant developments" with regard to the dollar.

Dr. Treichl spelled out that CA accounted last year for 13.5 per cent of the aggregate assets of the Austrian banking sector, for 11.6 per cent of the primary domestic deposits, and for over 8 per cent of savings deposits.

Creditanstalt reports an 11 per cent rise in deposits to Sch.51bn. CA bonds in circulation, including communal and mortgage issues rose by Sch.3.2bn. to Sch.16.5bn. Savings deposits were up by 10.7 per cent to Sch.19.2bn.

The director-general also drew attention to the success of the two issues of floating rate notes (worth \$40m.). He rejected allegations that a lack of long-term available finance was the reason for the downturn in investments last year.

Last year's rise in interest rates was "not advantageous" for the banks. Gross cash flow before taxes showed a slight increase from Sch.978m. to Sch.986m. Profit after tax improved by 4 per cent to Sch.490m., and an unchanged dividend of 10 per cent is announced on the Sch.1.5bn. capital.

With reservations about the development of raw material costs, exchange rates and production levels, Boliden expects to make an operating profit of around Kr.100m. this year, after pre-tax earnings after extraordinary items of Kr.25m.

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## Overseas boost for Holzmann

BY JONATHAN CARR

BONN, March 21.

PHILIP HOLZMANN, one of West Germany's leading construction concerns, increased profits last year thanks to booming foreign business. There were also clear signs of an improvement in domestic demand — albeit from a low level after the building recession of the last few years.

Pre-tax earnings in the final quarter of 1977 were 10 per cent higher than in the previous quarter, but the company also noted some slackening of demand in the OPEC States — one of the most

change in corporation tax law) can expect a markedly higher yield than before.

In 1976 Holzmann made net profits of DM121m. (almost \$25m.) and paid an unchanged 14 per cent dividend (DM7 per share).

Last year total construction output topped the DM13bn. mark after DM2.8bn. in 1976. While noting that the increase was due chiefly to activity abroad, the company also noted some slackening of demand in the OPEC States — one of the most

responsive markets so far. The foreign order intake last year totalled DM1.2bn. — sharply down on the 1976 result when several particularly large individual orders were obtained. But domestic orders rose by 30 per cent to DM1.9bn. Orders in hand at the end of the year totalled DM5bn.

At home there was a particularly strong increase in orders for housing and for road building. But there still remains overcapacity in the domestic construction industry as a whole.

See Lex

## Tax reform hits Bayerische Vereinsbank

BY OUR OWN CORRESPONDENT

BONN, March 21.

BAYERISCHE VEREINSBANK sharply decreased its business volume and operating profit in 1977, but says net profit will be largely because of the extra burden resulting from the reform of corporation tax.

Profits from lending rose by 11.7 per cent to DM592m. (from DM529m.) and from commissions by 6.5 per cent to DM19m. But a heavily increased tax bill (up to DM90.2m. against DM32.4m. in 1976), forced back the net profit figure to DM67m. after DM72.8m. in the previous year. As in 1976, a total of DM15m. is being added to reserves.

In common with its competitors, the bank is slightly reducing its dividend this year — although domestic shareholders will actually be better off than last year thanks to receipt of a tax bonus coupon. Ordinary shareholders will receive DM9 per DM50 share against DM10 last year, and preference shareholders DM10.50 against DM11.50.

The bank's balance sheet total increased by 14.1 per cent to DM73.3bn. — against a rise of 13.5 per cent in 1976. Customer deposits were up by 8.8 per cent to DM15.8bn. and advances to

customers by 10.4 per cent to DM13.1bn. The banks continuing to expand its business well beyond Bavaria — and German borders. It now has close to 9,500 employees in 381 branches.

Dresdner Bank International is to raise its capital by a quarter to L.Frs.2.5bn. (around \$78m.). By the end of the current year this subsidiary of Dresdner Bank AG expects assets to total around \$6.2bn.

## Credit Suisse complaint

BY JOHN WICKS

ZURICH, March 21.

THE LATEST move in the legal wrangle between Credit Suisse and the Swiss National Bank comes from the former. Credit Suisse has retained part of the money repayable to them to cover claims made by the authorities.

Last week the Swiss Finance Ministry announced that it was also appealing against the National Bank decision with the Federal Court. The ministry, which has jurisdiction from the governing Federal Council to bring this case, bases its calculations on a different system and says that a total of Sw.Frs. 283m. is due. This is considerably more than the amount called for by the National Bank.

Texon are not liable to negative interest commission. This commission will be charged to the former Chiasso clients. Credit Suisse having retained part of the money repayable to them to cover claims made by the authorities.

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The complaint is in connection with a "débât" for Sw.Frs. 31.7m. of outstanding negative-interest commission. The sum has been levied by the National Bank on Swiss-Franc balances created when funds entrusted to Credit Suisse's Chiasso branch were improperly channelled to the Liechtenstein Company Texon Finanzanstalt.

Credit Suisse, whose complaint is made to the Federal Appeals Court, contends that creditors of

Texon are not liable to negative interest commission. This commission will be charged to the former Chiasso clients. Credit Suisse having retained part of the money repayable to them to cover claims made by the authorities.

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## Lower earnings from Banque Suez

BY DAVID WHITE

PARIS, March 21.

BANQUE de l'Indochine et de Suez, main banking arm of Suez Finance, property and industrial group, saw its profits for 1977, but says net profit will be largely because of the extra burden resulting from the reform of corporation tax.

Profits from lending rose by 11.7 per cent to DM592m. (from DM529m.) and from commissions by 6.5 per cent to DM19m. But a heavily increased tax bill (up to DM90.2m. against DM32.4m. in 1976), forced back the net profit figure to DM67m. after DM72.8m. in the previous year. As in 1976, a total of DM15m. is being added to reserves.

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## Societe Generale to hold dividend

BRUSSELS, March 21.

SOCIETE GENERALE de Belgique, which earlier this month reported a striking recovery in profits for 1977, expects to maintain its dividend for 1978 at Frs.140.

Shareholders were told at today's annual meeting that the dividend forecast should be viewed against a background of "continuing depression" which will hit the results of the company harder this year than was the case in 1977.

Last year the group managed to lift profits by more than half to Frs.1.18bn. (some \$37m.) bringing the total of these loans to Frs.1.18bn. (some \$37m.)

The bank is directly or indirectly owned in equal shares by the members of European Banks International, Agencies

But results of the holding company's banking subsidiaries have "improved" due to rationalisation of the group.

BRUSSELS based Banque Europeenne de Credit expanded its balance sheet by \$2.6bn. in 1977 from \$2.1bn. in 1976. Net profit increased by 28 per cent to \$13.1m. over Frs.10.2m. and the Board recommends a 12 per cent dividend on increased capital.

In the 1977 new medium- and long-term loans were concluded to lift profits by more than half to Frs.1.18bn. (some \$37m.) bringing the total of these loans to Frs.1.18bn. (some \$37m.)

The bank is directly or indirectly owned in equal shares by the members of European Banks International, Agencies

## Aquis Securities Limited

PROPERTY INVESTMENT &amp; DEVELOPMENT

Extracts from the Accounts and the Review of the year ended 31st December 1977 by the Chairman, Mr. Harold Quinlan.

(With comparative figures for the year to 31st December 1976).

- \* Net profit before tax £418,749 (1976: £394,920)
- \* After taxation £202,062 (1976: £159,555)
- \* Proposed Final Dividend of 0.459916 pence per share (including supplement) making a total of 0.675916 pence per share for the year. (1976 total 0.6 pence)
- \* Group retained profits carried forward £246,784 (1976: £195,986)
- \* Estimated net asset value per share 29.09 pence (1976: 17.05 pence)
- \* I am confident that 1978 should prove a profitable year for the Aquis Group.

Annual General Meeting will take place at 12.30 on Friday, 14th April 1978 at the Clarendon Court Hotel, Mole Valley, London W9 1AG.

## IMPERIAL GROUP LIMITED

Extracts from the statement by Mr. John Pile, Chairman, at the Annual General Meeting held in London on 21st March 1978.

## Trading

In essence, our accounts show that, largely owing to expected problems in the Tobacco Division, which were partly due to the changes which were about to take place in the duty structure but also because of reduced purchasing power, we made less money in real terms than in 1976.

That, however, is the story of one year only. Like my predecessors, I maintain that our primary duty is to look at Imperial in the longer term. We are a great company with management second to none and a record which shows that we are not easily overcome. The change in tobacco duty structure made king-size cigarettes relatively more attractive, and that sector of the UK market, which now accounts for nearly 50% of all cigarettes sold, has grown five-fold in the last two years. When I tell you that our reaction has been to increase our own share of this sector during that period from 10% to over 50%, which meant multiplying our sales more than twenty times, you will see what I mean by our ability to respond to a challenge.

political) matter. But it is already clear that the present government can no longer so easily obtain support for contentious or doctrinaire legislation because of its need to carry other parties with it. It seems increasingly likely that, with the advent of nationalist and perhaps other minor parties, future governments may be faced with the same difficulty. Furthermore, there is a greater readiness for members of a party in disagreement with the leadership to vote against it.

It was with this background in mind that many of us sympathised with the idea of election by proportional representation, but the strength of opposition in the House of Commons has made a move along this road seem unlikely in the short term.

My second reason is a more fundamental one. I believe that the disenchantment with arbitrary government among people of all persuasions is increasingly plain. Government policies are seen as being all too often misconceived. Over the last few years we have seen at various times a rush for growth which sucked in imports at an insupportable rate; price controls which have damaged companies while giving only marginal help to the household; employment protection laws which have tended to discourage employers from taking on more people. It often seems that legislation has the opposite effect to that intended.

My third reason for believing that the time is ripe for a more balanced approach to industry's future is that politicians are increasingly subject to outside forces. Not only trade unions but organisations and pressure groups of all kinds have shown that they are no longer as willing as in the past to accept legislation which is inimical to the interests of those they represent.

This puts a new responsibility on those who seek to influence the government, and the voice of moderation will be heard more frequently when those who speak have to answer for the consequences of what they say.

A New Forum

All these developments point, however hesitantly, towards a more consensus approach to our problems. The best answer would undoubtedly be for Parliament itself to be more responsive to the extensive advice that is available from people who have practical understanding of the requirements of industry and the ways in which others depend on it: perhaps a reformed Upper House might fill the role. I hope we shall one day come to this, but there are too many examples of over-government and instant government at present for me to think that it will come soon enough. In the meantime, therefore, I believe that an attempt should be made to bring together the many disparate interests which are affected by industrial legislation, to consider independently its content and scale before it goes through the Parliamentary process.

I am thinking of a body representative of many groups concerned with our industrial success so that Ministers would receive a broader view than is available to them at present when their discussions are almost wholly with the CBI and the TUC. In some way the voice should also be heard in this council of the self-employed, consumers, the providers of finance, local authorities, the professions, civil servants and, importantly, members of major political parties, even when out of office.

The council could be invited to send representatives to "Neddy" to provide a wider forum for the discussion of industrial issues with Ministers and through them with Parliament. It could report publicly on the issues of the day and thus be a further contribution to open government. It might well on occasion agree to differ but even in such a

With this unhappy history of the last decade or more you may wonder at my naivety in saying, as I did earlier, that there is now real hope that a cohesive approach can be achieved. I have three reasons for this belief.

The first I approach with some caution because it is a

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# INTERNATIONAL FINANCIAL AND COMPANY NEWS

## Malaysian Airline looks for sharp gain

By Wong Sulong  
KUALA LUMPUR, March 21

**MALAYSIAN AIRLINE** System, the Malaysian flag carrier, expects a sharp increase in profits for the financial year ending this month, following a 15.3 per cent increase in revenue during the first 10 months of the year.

The airline made a profit of only 1.1m. ringgits (\$US475,000) in 1976-77.

MAS general manager, Mr. Saw Hui Lee, said that revenue during the first 10 months was ringgits 311m. (\$US135m.), compared with ringgits 259m. for the whole of the last financial year.

The numbers of passengers is expected to increase by 4 per cent to 2.6m. while yields per passenger-kilometre on the competitive international routes increased by 0.2 cents Malaysian to 13.6 cents.

The company's profits are also expected to improve following measures taken to eliminate malpractices and reduction in overheads.

The airline is still very much passenger-oriented, with passenger revenue forming 87 per cent of total revenue, compared with 13 per cent from cargo services.

The airline achieved a 68 per cent passenger load factor during the first 10 months, against 64 per cent in 1976-77. It hopes to reach the 70 per cent target in the coming year.

## Sime Darby & Pemas form new company

By Our Own Correspondent  
KUALA LUMPUR, March 21

**SIME DARBY** Holdings and the **PERNAS** Government-sponsored Pemas organisation have formed a new holding company, **Pemas-Sime Darby**, to manage their joint ventures in Malaysia.

The two companies started their first joint venture in 1972, and now have six subsidiaries dealing in distribution of consumer goods and agricultural machinery, shipping and provision of technical services.

The new holding company will have three directors each from Pemas and Sime Darby, and will be headed by a Pemas appointee, Senator Kamarul Ariffin, the chairman of Bank Bumiputra.

## KUALA LUMPUR-KEPONG

# Bold expansion policy pays off

BY WONG SULONG IN KUALA LUMPUR

**KUALA LUMPUR-KEPONG**, the plantation company which passed into Malaysian control following selling by British investors after the racial riots in Malaysia in 1969, has since undergone rapid expansion.

It is now one of the most highly regarded counters on the Kuala Lumpur exchange, and is in a strong position to withstand the vagaries of commodity prices. In the last financial year, KLPK's profits rose 57 per cent, from 1.1m. ringgits (\$US475,000) to 1.7m. ringgits (\$US700,000).

Good rubber and palm oil prices had helped to boost its profits, but the results showed that the company's bold policy of expansion was paying off.

## Prices boost

In 1972, KLPK through four subsidiaries, embarked on an ambitious scheme in Johore. Under the deal, the Johore State Government released 28,000 acres to KLPK for oil palm cultivation. In return, the company agreed to sell 6,000 acres back

when planted with the crop to the State at cost. This transaction was completed in 1976.

Like most other plantation companies, KLPK is steadily shifting from rubber to oil palm which gives a better return. Some 57 per cent of its acreage is now under oil palm and 43 per cent under rubber, compared with 37 per cent and 63 per cent respectively in 1972. Last year, it produced 174,400 kilograms of rubber and nearly 60,000 tonnes of palm and kernel oil. Its rubber fetched an average price of 217 cents per kilo—24 per cent higher than in 1976—and this more than made up for the slight fall in output and higher production costs.

Palm oil performed extremely well, contributing 30.4m. ringgits to the company's profits. Price of its palm oil was 1,314 ringgits per tonne and of its kernel oil 870 ringgits per tonne—increases of 41 per cent and 82 per cent, respectively, over 1976.

Again like other plantation companies, KLPK's future will depend a great deal on the

varieties of commodity prices. But given stable prices, its earnings potential seems excellent as a large percentage of its estates has not yet reached maturity or maximum productivity.

Last year, the company announced it was selling the 1,445-acre Kepong Estate to Multi-Purpose Holdings, set up with the backing of the Malaysian Chinese Association, the major political party, for 25m. ringgits. At a glance, the price is cheap considering the land is just outside Kuala Lumpur. But the company would be well served by the price (the deal is still pending) as the land has been gazetted for a public park, and the MCA is trying to get it converted into a housing scheme.

In keeping with Government policy, shareholders are being asked at the annual meeting tomorrow to approve the issue of 15m. shares to Malays at a discount price of 1.15 ringgits, compared to 1.20 ringgits on the exchange. Some 11m. of the shares are expected to go into the hands of the institutions. This issue would bring KLPK's share capital to nearly 170m. ringgits.

## Investments

KLPK also has substantial investments in other plantations, including 19 per cent in Highland and Lowlands, and 26 per cent in Yule Cato, both with good yield potential.

It owns three small wheat and sheep farms in Australia and the U.K. which are reporting small losses, and some Malaysian shareholders are expected to request these to be sold.

In Datuk Lee Loy Seng, KLPK

## HONG KONG COMPANIES

# Zung Fu and Anderson Asia turn in record results

BY DANIEL NELSON

**OFFSHOOTS** of two of Hong Kong's major trading houses had good news for their parents, and outside shareholders to-day.

Jardine Matheson's Zung Fu reported a 24 per cent profit rise to \$HK21.03m. (\$US8.6m.), a 20 per cent total dividend increase to 8 cents and a bonus one-for-five issue.

The profit figure for the year to December 31 is after tax and minorities and exceeds even the optimistic forecasts made after nine months, when profits were 20 per cent up. The 1977 figure of \$HK16.93m. was itself a record.

The final dividend is 3.5 cents. The directors say that the unaudited figures for the first two months of 1978 show a good beginning to the year, that trading results should exceed those for 1977 and that the dividend will be maintained on the capital as increased by the bonus issue.

Hutchinson Whampoa's quarrying subsidiary Anderson Asia (Holdings) announced a one for

ten bonus issue "to mark a year of record achievement" for which a consolidated net profit of \$HK24.96m. (\$US9.54m.) was recorded.

The profit, together with pre-acquisition profit of \$HK4.67m. of its wholly-owned subsidiary Asia, will be paid making a total of 113 per cent over the combined December 31, against 15 cents consolidated net profits of 1976.

A final dividend of 12 cents will be paid making a total of 20 cents for the year to December 31, against 15 cents in 1976.

## HUD is ahead of target

BY OUR OWN CORRESPONDENT HONG KONG, March 21

AS A RESULT of "rapid progress" at Hong Kong United Dockyards' new Tsing Yi complex, the company's plans to phase out the yard by the end of 1979, that was originally planned to close the yard in 1979.

Managing director David Hall said the earlier move to Tsing Yi was highly desirable "as the company can then expand into the larger ship market, utilising our new floating dry dock now at Tsing Yi."

# Nanyang Press makes progress AECI pause in spending

BY H. F. LEE

SINGAPORE, March 21

**THE LEADING** Singapore Chinese language newspaper publishing company, Nanyang Press Singapore (1975), has reported a 38 per cent increase in pre-tax profit to \$S1.2m. for the half-year to January.

The gain was achieved on a 12.3 per cent improvement in turnover to \$S8.75m.

The company forecasts that the net profit for the year ending July "will be somewhat higher than that of the previous year."

## Banking expansion

**ESTABLISHED BANKERS** in Hong Kong are looking forward to a "regulated expansion" of foreign banks in Hong Kong now that the local Government is lifting its 12-year moratorium on new bank licences, the Hong Kong trade development council reported in London this week.

Hong Kong's financial secretary Mr. Philip Hadden-Cave, has told the Legislative Council that he is opening up applications to allow foreign banks to establish full branches if they follow these conditions:

• The applicant banks are incorporated in countries whose monetary authorities exercise effective supervision and have, where JACK CHIA International's option

to purchase 15.1 million shares in Apollo Tours and Travels which expired on March 18, has been extended to May 18, reports AP-J from Singapore.

The extension of the option will enable Jack Chia to review the audited accounts of Apollo, which are expected by May, the company said.

## Tractors Malaysia

**TRACTORS** Malaysia, the Sime Darby heavy equipment distributor subsidiary, has reported a rise of 5.3 per cent in pre-tax profits for the first half of the financial year, to \$M21.06m. (some \$US.9m.). Wong Su Long writes from Kuala Lumpur: Group net profit was \$M11.14m. against \$M10.56m. Sales rose 10 per cent to \$M175.8m. (\$US.76m.), from \$M162.97m.

Consolidated Plantations, the Sime Darby subsidiary has reported an unaudited consolidated net profit of \$M21.43m. (\$US.91m.) for the six months to December 31, against \$M21.95m. a year earlier. The interim dividend is unchanged at 35 per cent, and a three-for-one bonus issue is proposed.

BY RICHARD ROLFE

JOHANNESBURG, March 21

IN HIS chairman's statement for AECI, in which ICI and De Beers Industrial Corporation hold which under 40 per cent each, Mr. Harry Oppenheimer says that results for 1977 will depend on the rate of improvement in the South African economy, where substantial spare capacity exists.

No further major capital expenditure is planned at AECI, which manufactures explosives and chemicals, and is engaged in the R240m. coal project, "until the pattern of future major capital programme over the past five years has been digested."

Mr. Oppenheimer notes, however, that the fall of the dollar, to which the rand is pegged, has opened up export opportunities and also made some

## Food takeover lifts J. Gadsden

BY JAMES FORTH

SYDNEY, March 21

**BUOYED** BY results from recent acquisitions, packaging group J. Gadsden Australia increased its profit to \$A4.1m. to \$A4.1m. in the December half group. Reflecting the take-over of Consolidated Foods—Melbourne's largest milk distributor—sales rose almost 90 per cent to \$A26.2m. (\$US137m.). Without Consolidated Foods, turnover would have risen only 18 per cent.

Gadsden acquired Consolidated

## SELECTED EURODOLLAR BOND PRICES

### MID-DAY INDICATIONS

STRAIGHTS	Mid	Offer	Mid	Offer
Aleat 5 1/2% 1980	94 1/2	97 1/2	Credit Lyonnais 1982 3/4%	98 1/2
AMEV 5 1/2% 1987	94 1/2	97 1/2	DC 5 1/2% 1982	98 1/2
Australia 5 1/2% 1982	94 1/2	97 1/2	De Beers 5 1/2% 1982	98 1/2
Australia M. & A. 5 1/2% 1982	94 1/2	97 1/2	Dell 5 1/2% 1982	98 1/2
Barclays Bank 5 1/2% 1982	94 1/2	97 1/2	Dell 5 1/2% 1982	98 1/2
Bank of Montreal 5 1/2% 1982	94 1/2	97 1/2	De Beers 5 1/2% 1982	98 1/2
Bank of New York 5 1/2% 1982	94 1/2	97 1/2	Dell 5 1/2% 1982	98 1/2
Bank of Paris 5 1/2% 1982	94 1/2	97 1/2	De Beers 5 1/2% 1982	98 1/2
Bank of Spain 5 1/2% 1982	94 1/2	97 1/2	Dell 5 1/2% 1982	98 1/2
Bank of Sweden 5 1/2% 1982	94 1/2	97 1/2	De Beers 5 1/2% 1982	98 1/2
Bank of Switzerland 5 1/2% 1982	94 1/2	97 1/2	Dell 5 1/2% 1982	98 1/2
Bank of Tokyo 5 1/2% 1982	94 1/2	97 1/2	De Beers 5 1/2% 1982	98 1/2
Bank of Union 5 1/2% 1982	94 1/2	97 1/2	Dell 5 1/2% 1982	98 1/2
Bank of West 5 1/2% 1982	94 1/2	97 1/2	De Beers 5 1/2% 1982	98 1/2
Bank of Zurich 5 1/2% 1982	94 1/2	97 1/2	Dell 5 1/2% 1982	98 1/2
Bank of London 5 1/2% 1982	94 1/2	97 1/2	De Beers 5 1/2% 1982	98 1/2
Bank of Amsterdam 5 1/2% 1982	94 1/2	97 1/2	Dell 5 1/2% 1982	98 1/2
Bank of Antwerp 5 1/2% 1982	94 1/2	97 1/2	De Beers 5 1/2% 1982	98 1/2
Bank of Barcelona 5 1/2% 1982	94 1/2	97 1/2	Dell 5 1/2% 1982	98 1/2
Bank of Bilbao 5 1/2% 1982	94 1/2	97 1/2	De Beers 5 1/2% 1982	98 1/2
Bank of Bremen 5 1/2% 1982	94 1/2	97 1/2	Dell 5 1/2% 1982	98 1/2
Bank of Bruges 5 1/2% 1982	94 1/2	97 1/2	De Beers 5 1/2% 1982	98 1/2
Bank of Calcutta 5 1/2% 1982	94 1/2	97 1/2	Dell 5 1/2% 1982	98 1/2
Bank of Canton 5 1/2% 1982	94 1/2	97 1/2	De Beers 5 1/2% 1982	98 1/2
Bank of Cebu 5 1/2% 1982	94 1/2	97 1/2	Dell 5 1/2% 1982	98 1/2
Bank of Hankow 5 1/2% 1982	94 1/2	97 1/2	De Beers 5 1/2% 1982	98 1/2
Bank of Harbin 5 1/2% 1982	94 1/2	97 1/2	Dell 5 1/2% 1982	98 1/2
Bank of Hong Kong 5 1/2% 1982	94 1/2	97 1/2	De Beers 5 1/2% 1982	98 1/2
Bank of Kobe 5 1/2% 1982	94 1/2	97 1/2	Dell 5 1/2% 1982	98 1/2
Bank of London 5 1/2% 1982	94 1/2	97 1/2	De Beers 5 1/2% 1982	98 1/2
Bank of Lyons 5 1/2% 1982	94 1/2	97 1/2	Dell 5 1/2% 1982	98 1/2
Bank of Madrid 5 1/2% 1982	94 1/2	97 1/2	De Beers 5 1/2% 1982	98 1/2
Bank of Manila 5 1/2% 1982	94 1/2	97 1/2	Dell 5 1/2% 1982	98 1/2
Bank of Mexico 5 1/2% 1982	94 1/2	97 1/2	De Beers 5 1/2% 1982	98 1/2
Bank of Moscow 5 1/2% 1982	94 1/2	97 1/2	Dell 5 1/2% 1982	98 1/2
Bank of Nanking 5 1/2% 1982	94 1/2	97 1/2	De Beers 5 1/2% 1982	98 1/2
Bank of Peking 5 1/2% 1982	94 1/2	97 1/2	Dell 5 1/2% 1982	98 1/2
Bank of Shanghai 5 1/2% 1982	94 1/2	97 1/2	De Beers 5 1/2% 1982	98 1/2
Bank of Singapore 5 1/2% 1982	94 1/2	97 1/2	Dell 5 1/2% 1982	98 1/2
Bank of Soerabaya 5 1/2% 1982	94 1/2	97 1/2	De Beers 5 1/2% 1982	98 1/2
Bank of Tientsin 5 1/2% 1982	94 1/2	97 1/2	Dell 5 1/2% 1982	98 1/2
Bank of Yokohama 5 1/2% 1982	94 1/2	97 1/2	De Beers 5 1/2% 1982	98 1/2

## Allied Bank International

116 East 55th Street, New York, N. Y. 10022

### CONSOLIDATED STATEMENT OF CONDITION, December 31, 1977

ASSETS		
Cash and due from banks—demand	\$134,870,131	
Due from banks—time	55,998,434	
Investment securities at cost, which approximates market	570,484	
Total loans and discounts	671,097,462	
Less participations	242,217,270	
	428,880,192	
Less reserve for possible loan losses	3,924,576	
	424,955,616	
Net loans and discounts	18,740,221	
Customers' liability under acceptances	4,951,888	
Bank premises, leasehold improvements, and furniture and fixtures	2,551,004	
Accrued interest receivable	6,591,888	
Other assets	2,551,004	
	\$648,181,798	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Demand deposits in domestic offices	\$166,983,973	
Time deposits in domestic offices	529,879	
Deposits in overseas offices	378,759,924	
	544,273,776	
Federal funds purchased	27,000,000	
Borrowed funds	3,000,000	
Acceptances outstanding	43,307,350	
Less held in portfolio	24,587,129	
	18,740,221	
Accrued interest payable	4,143,744	
Accrued taxes and other liabilities	4,880,145	
Stockholders' equity:		
Capital stock, par value \$750 per share	27,000,000	
Authorized 40,000 shares; issued 36,000 shares	9,526,640	
Retained earnings	7,638,372	
Total stockholders' equity	44,165,012	
	\$648,181,798	

### BOARD OF DIRECTORS

Chairman of the Board W. WRIGHT HARRISON Chairman and Chief Executive Officer Virginia National Bank Norfolk, Virginia	CARLETON M. STEWART Chairman and Chief Executive Officer American Security Bank, N.A. Washington, D.C.	CLARENCE G. FRAME President and Chief Executive Officer The First National Bank of Saint Paul St. Paul, Minnesota
Vice Chairman of the Board J. W. MCLEAN Chairman and Chief Executive Officer The Liberty National Bank and Trust Company Oklahoma City, Oklahoma	JOHN T. CATER President Bank of the Southwest, N.A. Houston, Texas	CULLEN KESHO President First Tennessee Bank N.A. Memphis Memphis, Tennessee
Vice Chairman of the Board JOHN D. HERSHNER Chairman and Chief Executive Officer United Bank of Denver National Association Denver, Colorado	M.A. CANCELLIERE Chairman Equibank N.A. Pittsburgh, Pennsylvania	ROBERT L. NEWELL Chairman and Chief Executive Officer Hartford National Bank and Trust Company Hartford, Connecticut
President and Chief Executive Officer RICHARD A. MELVILLE Allied Bank International New York, New York	PAUL W. MASON Chairman and Chief Executive Officer The First National Bank of Fort Worth Fort Worth, Texas	EDWIN BARNES Chairman of the Executive Committee Michigan National Bank Lansing, Michigan
	CHARLES W. HOLLAND, JR. Vice President First Hawaiian Bank Honolulu, Hawaii	CHAMPNEY A. MONAIR Director Trust Company Bank Atlanta, Georgia
	FRANK E. MCKINNEY, JR. Chairman and Chief Executive Officer American Flattop National Bank and Trust Company Indianapolis, Indiana	THOMAS S. PRIDEAUX Vice Chairman United States National Bank of Oregon Portland, Oregon
	CLARENCE G. BARKSDALE Chairman and Chief Executive Officer First National Bank of St. Louis St. Louis, Missouri	GILBERT F. BRADLEY Chairman and Chief Executive Officer Valley National Bank of Arizona Phoenix, Arizona

CHARTERED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, WASHINGTON, D.C.

# BANQUE EUROPEENNE DE TOKYO

48 Rue Sainte-Anne, 75001 Paris

Extracts from accounts at December 31, 1977

	(US\$ equivalent)	(US\$)
Loans	2,093,406—	444,460—
Deposits	2,959,638—	628,373—
Shareholders' medium-term deposits	141,300—	30,000—
Capital and Reserves	121,552—	25,807—
Pre-Tax Profit	23,076—	4,898—
Net profit after taxation	13,190—	2,800—
Total assets	3,289,141—	698,331—

### Shareholders:

- The Bank of Tokyo Ltd., Tokyo
- The Industrial Bank of Japan, Limited, Tokyo
- Bank of Tokyo Holding S.A., Luxembourg
- The Long-Term Credit Bank of Japan, Limited, Tokyo
- The Nippon Credit Bank, Ltd., Tokyo
- The Kyowa Bank Ltd., Tokyo
- The Saitama Bank Limited, Kobe
- The Saitama Bank Ltd., Urawa
- The Hokkaido Takushoku Bank, Ltd., Sapporo

## US \$20,000,000 Floating Rate London-Dollar Negotiable Certificates of Deposit, due September, 1980

# THE SANWA BANK, LIMITED LONDON



In accordance with the provisions of the Certificates, notice is hereby given that for the six months interest period from March 22nd, 1978 to September 22nd, 1978, the Certificates will carry an Interest Rate of 7 1/8% per annum. The relevant interest payment date will be September 22nd, 1978.

Credit Suisse White Weld Limited  
Agent Bank

# WHATLINGS

## CIVIL ENGINEERING AND BUILDING CONTRACTORS

### RESULTS FOR YEAR ENDED 30th September, 1977

	1977	1976
Turnover	20,537,000	20,611,000
Profit before Tax	661,000	464,000
Dividend per 25p share	2.56p	2.3p
Earnings per 25p share	7.77p	7.49p

This announcement appears as a matter of record only.

March 1978



# Privredna Banka Zagreb

## US \$353 million Project-Related Financing

in respect of the

### Kutina II Petrochemical Complex

#### US \$105,000,000 Seven Year Term Loan

##### Managed by

BankAmerica International Group  
Citicorp International Group  
Chase Manhattan Limited  
Chemical Bank  
First City National Bank of Houston  
National Westminster Bank Limited  
Toronto Dominion Bank

##### Provided by

Bank of America NT & SA  
Citibank, N.A.  
The Chase Manhattan Bank, N.A.  
Chemical Bank

Amsterdam-Rotterdam Bank N.V.  
Bank Mees & Hope NV  
The Bank of Nova Scotia Trust Company  
(United Kingdom) Limited

Commercial Credit International  
Banking Corporation  
Shawmut Bank of Boston, N.A.  
The Sumitomo Trust and Banking  
Company, Limited  
Bank Bumiputra Malaysia Berhad  
(London Branch)  
Crédit Lyonnais, London Branch  
International Energy Bank Limited  
Al Saudi Banque  
The Bank of Tokyo, Ltd.  
Banque Internationale à Luxembourg  
Société Anonyme

First City National Bank of Houston  
International Westminster Bank Limited  
Toronto Dominion Bank

Bank of Scotland  
Manufacturers Hanover Trust Company  
Moscow Narodny Bank Limited

Banque Nordeurope S.A., Luxembourg  
Clydesdale Bank Limited  
FRAB Bank International  
International Bank of Singapore Limited  
Iran Overseas Investment Bank Limited  
Lazard Brothers & Co., Limited  
London & Continental Bankers Limited  
The National Bank of Australasia Limited  
National Bank of Detroit  
Nordic Bank Limited  
Northland Bank, Calgary, Alberta, Canada  
Sal. Oppenheim jr. and Cie.  
Riggs National Bank of Washington, D.C.  
UBAF Bank Limited

##### Agent

**BANK of AMERICA  
INTERNATIONAL LIMITED**

#### US \$50,000,000 Seven Year Term Loan

##### Managed by

BankAmerica International Group  
Banque de l'Union Européenne

##### Co-Managed by

Chemical Bank  
Société Générale

##### Provided by

Bank of America NT & SA  
Société Générale  
Banque Nationale de Paris  
Crédit Lyonnais  
Banque de l'Union Européenne  
Chemical Bank  
Banque de l'Indochine et de Suez  
Banque Commerciale pour l'Europe du Nord  
(Eurobank)  
Société Centrale de Banque  
Banque Franco-Allemande

##### Agent

**BANK of AMERICA  
INTERNATIONAL LIMITED**

#### US \$25,000,000 Floating Rate Notes Due 1985

Arab Finance Corporation S.A.L.  
Société Générale

Bank of America International Limited  
Westdeutsche Landesbank  
Girozentrale

Banque Arabe et Internationale d'Investissement (B.A.I.I.)  
Banque de l'Union Européenne

Kreditbank S.A. Luxembourg  
Kuwait International Investment Co. S.A.K.  
Union de Banques Arabes et Françaises - U.B.A.F.  
FRAB Bank International  
Union Bank of the Middle-East Ltd, Dubai

Afin SpA - Rome  
Alahli Bank of Kuwait (K.S.C.)  
Al Saudi Banque  
A. E. Amès & Co.  
Limited

Arab African Bank (Cairo)  
The Arab & Morgan Grenfell Finance Company  
Limited

Banca del Gottardo  
Banco di Santo Spirito  
Bank Gutzwiller, Kurz, Bungenier (Overseas)  
Limited

Bank of Helsinki Limited  
Banque Bruxelles Lambert S.A.  
Banque Française du Commerce Extérieur  
Banque Libano-Française S.A.L.

Banque Nationale de Paris  
Bergen Bank  
Berliner Handels- und Bankverein Bank

Compagnie Monégasque de Banque  
Crédit du Nord  
Den norske Creditbank

The Development Bank of Singapore Limited  
Euramerica-Finanziaria Internazionale SpA  
European Arab Bank (Brussels) S.A.  
Euroseas Banking Company (Qatar) Ltd.

First Boston (Europe)  
Limited  
Genossenschaftliche Zentralbank AG  
Vienna

Girozentrale und Bank der Oesterreichischen  
Sparkassen Aktiengesellschaft  
The Gulf Bank K.S.C. Kuwait  
Kuwait International Finance Co. (KIFCO)

Lazard Brothers & Co., Limited  
The National Bank of Kuwait S.A.K.  
Norddeutsche Landesbank  
Girozentrale

Oesterreichische Laenderbank  
Aktiengesellschaft

Postipankki  
Privatbanken Aktiengesellschaft  
Sanwa Bank (Underwriters) Limited

Skandinaviska Enskilda Banken  
Société Bancaire Barclays (Suisse) S.A.

Société Centrale de Banque  
Société Générale de Banque S.A.  
Société Séquanaise de Banque  
Tokai Kyowa Morgan Grenfell Limited

Trade Development Bank  
Tradition International S.A.  
Union Bank of Finland Ltd.

Union de Banques Arabes et Européennes - U.B.A.E.  
Société Anonyme  
Unione di Banche Arabe ed Europee (Italia) SpA  
United International Bank Ltd.

Verkehrs- und Westbank  
Aktiengesellschaft  
Wardley Middle East Limited  
Yamaichi International (Nagasaki) N.Y.

#### US \$51,523,719 Medium Term Loan

with the funding and payment guarantee of

Export Credits Guarantee Department

##### Arranged by

Lazard Brothers & Co., Limited

##### Provided by

Lazard Brothers & Co., Limited  
Bank of America NT & SA  
Citibank, N.A.  
Chemical Bank  
First City National Bank of Houston  
International Westminster Bank Limited  
Toronto Dominion Bank  
The Bank of Nova Scotia Trust Company  
(United Kingdom) Limited  
Manufacturers Hanover Trust Company

Bank Bumiputra Malaysia Berhad (London Branch)  
Crédit Lyonnais, London Branch  
International Energy Bank Limited  
The Bank of Tokyo, Ltd.  
Banque Internationale à Luxembourg Société Anonyme  
Iran Overseas Investment Bank Limited  
The National Bank of Australasia Limited  
National Bank of Detroit  
Nordic Bank Limited

##### Agent

**Lazard Brothers & Co., Limited**

#### US \$22,875,370 Medium Term Loan

with the funding and payment guarantee of

Export Credits Guarantee Department

##### Arranged by

Morgan Grenfell & Co. Limited

##### Provided by

Morgan Grenfell & Co. Limited  
Bank of Scotland  
Atlantic International Bank Limited  
The Sumitomo Trust and Banking Company, Limited  
Lazard Brothers & Co., Limited  
Moscow Narodny Bank Limited  
Al Saudi Banque

##### Agent

**Morgan Grenfell & Co. Limited**

Banque Nordeurope S.A., Luxembourg  
Clydesdale Bank Limited  
FRAB Bank International  
International Bank of Singapore Limited  
London & Continental Bankers Limited  
UBAF Bank Limited

#### Dfls 115,000,000 Medium Term Loan

##### guaranteed by

Nederlandsche Credietverzekering Maatschappij N.V.

##### Arranged and Provided by

Bank Mees & Hope NV  
Nationale Bank voor Middellang Krediet N.V.

##### Agent

**Bank Mees & Hope NV**

#### FF 250,900,000 Medium Term Loan

##### guaranteed by

Compagnie Française d'Assurance pour le Commerce Extérieur

##### Arranged by

Banque de l'Union Européenne Société Générale Banque Française du Commerce Extérieur

##### Provided by

Banque de l'Union Européenne Crédit Lyonnais Banque Commerciale pour l'Europe du Nord  
Société Générale Chemical Bank (Eurobank)  
Banque Nationale de Paris Banque de l'Indochine et de Suez Banque Française du Commerce Extérieur

##### Agent

**Banque de l'Union Européenne**

Total Project Financing Arranged by

**BankAmerica International Group**

**Arab Finance Corporation S.A.L.**

**Bank Mees & Hope NV**

**Banque de l'Union Européenne**

**Lazard Brothers & Co., Limited**

**Morgan Grenfell & Co. Limited**



## FINANCIAL TIMES SURVEY

Wednesday March 22 1978

## Multi-Bank Consortia

The number of consortium banks in London is diminishing while conditions in international banking markets have become tougher over recent months. New pressures on margins are creating a situation not unlike the late 1973-74 period.

## Only room for experts

By Michael Blanden

CONDITIONS in international banking markets have become increasingly difficult over the past few months, and the pressures have been clearly reflected in the results produced by a number of the London-based consortium banks specialising in this business. The high level of liquidity in the Euro-currency markets has led to a renewed squeeze on margins which Mr. David Montagu, chairman of Orion Bank, has recently described as "reminiscent of the heady days of 1973-74".

The pressure on spreads is expected to continue for some time yet, and will provide a severe test of the determination of international bankers to resist being drawn by the competition into undertaking loans at rates which could become less profitable, as their costs are

pushed up by inflation. At the same time, the sharp fall in the dollar in relation to the pound during the past year has reduced the size of profits when translated into sterling, while the drop in interest rates in the U.K. itself has cut into earnings on domestic assets.

The general decline in the dollar has also brought in the latter part of the past year a drop in the level of activity in the dollar section of the market, only partly compensated by increased activity in other sectors such as Deutsche marks and Swiss francs. In these circumstances, international banking and the consortium banks in particular have experienced probably the most trying conditions for three or four years.

The difficulties in the market have come at a time when the old debate about the long-term validity of the concept of consortium banking has again started to come under close examination. The idea of groups of banks coming together in this kind of joint venture grew up and developed in response to a real need. In many cases, a consortium bank based in the major international financial centre of London, was capable of carrying out kinds of business which its parents could not undertake.

For many of the big U.S. and European banks this approach offered a method of gaining experience and spreading risks in the relatively new international Eurocurrency and banking markets and often of bring-

ing in expertise from established merchant banking operations. For smaller banks from a number of countries, joint operations provided access to these markets on a scale which they would not have been able to undertake on the basis of their own limited resources. And at the time when the idea was most fashionable, all no doubt saw the prospect of a useful and profitable investment.

## Profits

Circumstances have changed, however. To begin with, in many cases the investment in consortium operations has not proved in the long run to be all that profitable. Many of the shareholding banks, moreover, have now clearly outgrown the need for somebody to hold their hand in building up international business: they have become capable of developing under their own steam the world-wide representation needed to support full participation in these activities.

This development has meant that shareholding banks have increasingly found themselves coming into direct competition with their offshoots for lending and other types of business. And this trend has been enhanced by the move among the consortium banks, under the pressures of the past few years, away from the initial emphasis on building up their medium-term loan books and towards a much greater reliance

## EUROPEAN BANKING CLUBS

**ABECOR** (Associated Banks of Europe)  
Algemene Bank Nederland (Netherlands)  
Banca Nazionale del Lavoro (Italy)  
Banque Bruxelles Lambert (Belgium)  
Banque Nationale de Paris (France)  
Barclays Bank (U.K.)  
Bayerische Hypothek- und Wechselbank (Germany)  
Dresdner Bank (Germany)  
Associated members:  
Banque Internationale à Luxembourg (Luxembourg)  
Österreichische Länderbank (Austria)  
**EUROPARTNERS**  
Banca di Roma (Italy)  
Banco Hispano Americano (Spain)  
Commerzbank (Germany)  
Crédit Lyonnais (France)

**EBIC** (European Banks International Company)  
Amsterdam-Rotterdam Bank (Netherlands)  
Banca Commerciale Italiana (Italy)  
Creditoanstalt-Bankverein (Austria)  
Deutsche Bank (Germany)  
Midland Bank (U.K.)  
Société Générale de Banque (Belgium)  
Société Générale (France)  
**INTER-ALPHA**  
Banco Ambrosiano (Italy)  
Berliner Handels- und Bank (Germany)  
Furtter Bank (Germany)  
Crédit Commercial de France (France)  
Kreditbank (Belgium)  
Nederlandsche Middenstands-bank (Netherlands)  
Privatbanken (Denmark)  
Williams & Glyn's Bank (U.K.)

Brothers and another U.S. bank, Northern Trust of Chicago.

Two U.S. banks also pulled out of Western American Bank (Europe), one of the older and larger groups, to leave control with Bank of Tokyo and National Bank of Detroit. Bank of America has been taking vigorous action to unwind its previous extensive involvements in joint operations in order to concentrate on building up its own subsidiaries. And other moves have included the takeover by two French shareholders of Brown Harriman and £4.2m. to £5.1m.

The ranks of the consortium banks in London have thus been noticeably thinned, and the signs are that it is not very likely that we shall see again the establishment of the old type of generalised joint operation. There will no doubt continue to be, however, development in some of the specialised areas—including the arrival of Arab investors—which have formed one of the main features of recent years.

## Diversity

What these events have done is to underline the diversity which enables them to stand on rather than the similarities of their own: the fact that they have shared generally similar market conditions, for example, the profit figures which have appeared for last year have shown little conformity. Orion managed a modest increase in its pre-tax profits from £9.7m. to £10.2m.

European Banking Company, shareholders could not under-

take on their own. These may include some with a regional bias: Italian International, the two Scandinavian groups and the two London-based Japanese consortia were at least initially able to do business which their parents could not handle.

Another group includes those banks which have specialised either in a particular industrial sector, such as the International Energy Bank, or in a geographical area. The Scandinavians, again, concentrate much of their activity on that area, while there is a number of banks with special connections with Latin America—besides Libra, they include European Brazilian, Euro-Latin American and International Mexican.

## Capital

Finally, there is a growing group of banks with Arab participants, such as Saudi International which enjoys the backing of the powerful Saudi Arabian Monetary Agency which has half of the capital. The signs clearly are that specialisation will be an important feature of the future development of consortium banking, with even those groups which started out as general medium-term lending operations finding it necessary to build up their own specialised areas of experience and skills. It will be surprising, nonetheless, if there are not more changes and shakeouts among the banks in the future.

## البنك العربي الأوروبي ش.م.

Brussels: Avenue des Arts, 19H, Bte. 2, B-1040 Brussels. Tel: 2194230 Telex: 26413 23884-25762  
Frankfurt: Münchener Strasse 1, P.O. Box 16.280, D-6000 Frankfurt M. Tel: 232707 Telex: 416874/413030

London: 29 Gresham Street, London EC2V 7EX. Tel: 01-606 6099 Telex: 8812047  
Bahrain: Kanoo Building, P.O. Box 5888, Manama, Bahrain. Tel: 50600 Telex: 8940-8996

## Representative Offices:

Cairo: 26th July Street No. 15, Cairo, Egypt. Tel: 48698 52431 52579 Telex: 92619  
Tokyo: Room 427, Fuji Building, 3-2-3 Marunouchi, Chiyoda-ku, Tokyo. Tel: (03) 214-6058 Telex: 2226287

EUROPEAN ARAB BANK  
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## MULTI-BANK CONSORTIA II

## U.K. expands overseas business

THE GROWING importance of sale and retail business carried out abroad, and international activities in the U.K., this section of the banks' operations is accounting for a rapidly growing proportion of their total earnings and they are continuing to make determined efforts to expand their international business.

## Attempt

The recent news that National Westminster Bank is thinking of buying a bank in the U.S., probably in New York, has provided a further indication of the trend. NatWest, which by and large tends to concentrate its international operations in the wholesale rather than the retail banking markets, is clearly looking at the growing competition for business as well as taking a view on the need for a base in the U.S. against the day when the rules there

may be relaxed to permit wider operations within and between states. It may also be indicative of a growing trend for the big U.K. banks to extend their direct participation in activities abroad. There have in the past few years been marked differences of approach between them with some, like Midland Bank, relying heavily on joint operations and relationships with other banks and others, particularly Lloyds Bank, deliberately eschewing any such involvement and concentrating on building up its own direct representation. Even those most committed to the co-operative concept, however, are showing signs of flexing their own muscles, with obvious implications for the future of the consortium relationships they have established and for other forms of wider co-operation.

A number of factors have contributed to the changes in the climate of consortium banking. One has been the growth and development of the consortia themselves, which have had particular importance for participants among the London merchant banking community. The expansion of the market meant that in a number of cases the consortium operation reached a size where it began to overshadow the smaller shareholders such as the merchant banks.

At the same time, the past three or four years — dating back to the difficulties of the Herstatt crisis in 1974 — have seen a growing tendency for the consortium banks to diversify from straightforward medium-term loan business into fee-earning advisory activities. This has brought them increasingly into direct competition with the merchant banks and several banks which had come into consortium groups initially to provide expertise have been selling off their interests. Hambros was among the first when it sold out of the Western American Bank (Europe) — now further transformed under Bank of Tokyo control — and Rothschild, Barings, Kleinwort Benson and Charterhouse Japhet have moved out of this type of operation.

For the big commercial banks in the U.K. and elsewhere, the same considerations do not apply. But they have for rather different reasons also been showing signs of moving away from the idea of co-operation in international business. The trend has been most obvious among the U.S. banks, many of which found advantages in having help from experienced partners when they first started to move on to the international scene in a big way but with growing experience and self-confidence are now reluctant to share the profits with other banks and increasingly inclined to concentrate on their own wholly-owned international merchant banking activities.

The British banks are in a rather different situation. They had, long before the U.S. banks moved extensively into the international field, a long experience of overseas banking, but predominantly in retail operations such as those of Barclays in South Africa or Bank of London and South America in Latin America. They lagged somewhat behind their U.S. rivals in developing into the major international markets but have in recent years built up extensive representation in the leading financial centres of the world.

The results of the changing patterns of international banking are perhaps most clearly seen in the development of the four big European banking clubs, Associated Banks of Europe (Abecor), European Banks International (Ebic), Inter-Alpha and Europartners. Three of the five London clearing banks are involved in these. Of the two others, Lloyds has avoided such relationships while National Westminster has taken a rather different line, with its main partnership in the multinational Orion banking group.

The European clubs have a character which is rather different from the normal one-off consortium groupings. They include joint operations of this kind; but they also incorporate a wider form of co-operation among their members at various levels and a marked ideological content. Their origins go back to the hopes of rapid development towards monetary and economic union within the European Community, and as well as providing the members with help in competing with the big U.S. banks they offered the possibility eventually of closer integration perhaps leading to cross-frontier mergers to create genuinely European banks.

Quite apart from the more general changes in the international banking climate, the clubs have therefore suffered a special setback as a result of the failure of the EEC to make any discernible progress towards monetary union. Their hopes of closer integration have faded, and though they continue to provide members with a platform for useful co-operation, the signs are that their impetus may be slackening.

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## Situation

For Williams and Glyn's Bank, which is the U.K. member of the Inter-Alpha group, the situation is perhaps rather different than for its substantially bigger U.K. rivals, since the relationship provides a vehicle for activities which it might not be able to manage on its own; though even in this case there are signs that the bank may want to develop more direct representation of its own. Barclays, which is part of the Abecor grouping, is itself a major international bank. Though it has participated in a number of joint ventures such as, for example, the Société Financière Européenne — the Abecor group's main joint offshoot — and the International Energy Bank, it has always made it clear that its approach to international banking would be pragmatic. It has built on its existing extensive representation abroad to develop major operations in the U.S., for example, and has shown a general inclination to prefer direct involvement in its own name and under its own control.

Midland Bank, which is in Ebic, is perhaps the one which is most committed to the co-operative concept. Ebic itself is one of the earliest and most committed of the co-operative groups with members which, like Midland and Amsterdam-Rotterdam Bank, have tended in the past to be more reliant

than most on correspondent relationships in providing an international service. Midland has until quite recently argued consistently that it should rely almost entirely on the Ebic connection for its international development.

These ideas have been reflected in the establishment of a wide range of joint operations in the U.S. — where the members own European American, a major foreign-owned bank — on the Continent, in the Far East and in London with the joint international merchant bank, European Banking Company. There has been a general understanding, too, that the Ebic members should avoid trespassing on each other's territory. But this self-denial has been showing signs of cracking. Deutsche Bank opened up in its own name in London, and was followed by Amro; and the Midland is now

thinking of opening up in Europe in its own name with the plans for a subsidiary in Paris.

The pattern of co-operative development among the U.K. banks, therefore, appears to be in the process of a shake-up with less reliance on joint operations and more direct involvement.

By Michael Blanden



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## U.S. policy changes

OF ALL THE international banks the Americans are probably the least enthusiastic members of the consortia banking community. Over the last year a number of well-known banks have disentangled themselves from consortia and a few more are undoubtedly looking for ways of pulling out without embarrassment.

This is slightly surprising given that the American banks, and in particular the smaller regional banks, were some of the earliest to sign on when the consortia banking idea took off towards the end of the 1960s. Banks such as Rothschild Intercontinental, Western American and London Multinational were among the first to be established and relied heavily on U.S. support. It is symptomatic of the changing U.S. attitudes towards consortia that less than ten years after they were established the above names have disappeared from the scene. Rothschild Intercontinental was the first to go. In 1975 its European and American shareholders decided to part company and luckily found a bank, American Express, that wanted to buy RIB, lock, stock and barrel.

In 1977 the pace accelerated. Brown Harriman and International Banks, whose shareholders had been changing places with the regularity of musical chairs since the bank was set up in 1968, had yet another reshuffle and two French banks, Credit Commercial de France and Banque Internationale pour l'Afrique Occidentale took control. Pittsburgh National Bank, First National Bank of Minneapolis and Brown Brothers Harriman along with a handful of other shareholders, including Britain's Prudential Assurance, decided to opt out. Shortly afterwards Chemical Bank announced that

it was taking over London Multinational Bank with the full agreement of the other shareholders — Northern Trust, Baring Bros. and Credit Suisse. In October, the shareholders of Western American, a bank with a chequered history, announced that two of them — Wells Fargo and Security Pacific — were pulling out and Bank of Tokyo and National Bank of Detroit were taking full control. Finally Merrill Lynch, which had set up Merrill Lynch Brown Shipley Bank in 1973 as a 50:50 venture, announced that it was renaming the bank Merrill Lynch International and it had raised its stake to 95 per cent.

Altogether around a dozen U.S. banks have pulled out of London-based consortia over the past three years. There are a number of explanations for this exodus. Both the British and American authorities have been taking a closer look at the relationship between consortia banks and their shareholders, and the Bank of England in particular is keen that shareholders give a full commitment to stand right behind their London offspring in good times and bad. For American banks, who are more vulnerable to law suits from their own shareholders, this could present a problem at some future stage when their commitment to a London bank might conflict with their responsibilities to their own shareholders.

Some years ago when the United Bank of California ran into trouble with its Swiss affiliate, which had been speculating in cocoa futures, the California bank became embroiled in shareholder suits. In addition, the U.S. regulatory authorities have been adopting a far tougher attitude to U.S. bank's participations in consortia operations. Just over two

CONTINUED ON NEXT PAGE

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	1977**	1976**	1975*
Capital and reserves	112	79	46
Subordinated credit lines of shareholders	130	120	105
Net profit of the year	13	10	8
Medium and long-term credits granted	1,828	1,444	1,293
Medium and long-term credits drawn down	1,591	1,265	1,138
Securities	507	269	268
Short-term advances	323	280	167
Total assets	2,605	2,066	1,770

\*Converted at a rate of 1 BF = 100 FF  
\*\*BF 30.92 = US \$ 1      \*\*BF 35.62 = US \$ 1      \*BF 47.35 = US \$ 1

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## MULTI-BANK CONSORTIA III

## Specialists on the increase

WHILE MANY bankers are becoming increasingly sceptical about the usefulness of a stake in a general purpose consortia bank, the concept of the specialised consortia bank is now firmly established. A glance through the accounts of virtually any major international bank will reveal that likely as not of one of the 15, or so, specialised consortia banks used in London.

The growing importance of specialised consortia manifests itself in a number of ways. While the group of so-called "general purpose" consortia banks is slowly declining as shareholders sell out, the number of specialised consortia is increasing. Barclays Bank International has taken over the remains of Edward Bates and, along with a number of other investors, who own the majority of the shares, transferred it into the Allied Arab Bank. Bank of Montreal and Manufacturers Hanover Trust are just two other major banks which have both taken stakes in recently formed specialised consortia banks.

Although still small in terms of balance sheet size, some of the specialised consortia have already made a name for themselves in the cut-throat inter-

national loan syndication market. The combination of influential shareholders and a small but high-powered management team has given many of the banks a competitive edge and for some of them fee and commission income has become an important source of profits.

Indeed, judged solely in terms of profitability, the specialised consortia banks have tended to do far better than the general "run-of-the-mill" consortia which were set up in the late 1960s as a way into the Eurocurrency markets.

Using after-tax profits as a percentage of average assets as a crude measure of profitability, some of the specialised consortia stand out as highly profitable concerns. Ranked in order of profitability, seven of the top ten consortia have a specialised brief and the top two in fact both have a Latin America bias (Eulabank and Libra). As the consortia banks' business increasingly overlaps with that of their parents, the question of profitability will become more important. If a shareholder can provide the same service to customers as its consortia affiliate at the same cost, the consortia bank's business increasingly overlaps with that of its parent. The question of profitability will become more important. If a shareholder can provide the same service to customers as its consortia affiliate at the same cost, the consortia bank's business increasingly overlaps with that of its parent.

It can then justify its existence solely as a trade investment bank while their operating costs alone and go its own way. It is perhaps no coincidence that the consortia banks which have disappeared have generally had below average profitability.

At the moment there is a considerable range between the most profitable and the least profitable bank. At one extreme is Eulabank where the level of profitability is nearly double that of a shareholder such as Barclays.

At the other extreme free. The concept first started there is Italian International to appear in the early part of the decade. Initially bankers tended to set up banks with a specialised set of shareholders to year. The absence of the drawn from one region. The idea from a few lucrative lead ideas was that if the shareholders' managements meant that a clubbed together they could make an impact in a market where they had little experience and in some cases were not even allowed to operate. The original example was the United Bank of Kuwait — it was established in 1965 with the prime aim of channelling some of Kuwait's surplus oil revenues into the fast-growing Euromarkets.

Most consortia banks do not look particularly profitable at present when compared with their parents. The average after-tax return on average assets for the established consortia banks which was set up in 1975 by 0.48 per cent. By comparison Barclays, Citibank and Hill Agency and a group of International banks led by Morgan Guaranty.

Between 1969 and 1973 another six consortia banks backed by specialised groups of shareholders were formed. The Scandinavian banks, for example, were not allowed to operate directly in the Euro-

markets in the 1960s so both Scandinavian Bank and Nordic Bank were set up originally as vehicles to give their shareholders access to the Euromarkets. About this time the Japanese City banks were starting to move into international wholesale banking and the Japanese authorities decided to herd most of them into consortia banks to gain experience. The Banque Européenne de Tokyo had already been established in Paris a couple of years earlier as an experiment, and the Associated Japanese Bank and Japanese International Bank were set up in much the same fashion in London, the only difference being that the big Japanese securities houses were invited to participate. Shortly afterwards, a group of Italian banks set up Italian International Bank and finally a group of Continental co-operative banks headed by Deutsche Genossenschaftsbank, formed London and Continental Bankers.

While the initial rationale for these ventures made sense they were not always terribly successful. One or two, such as Italian International Bank, were badly managed, and wandered off into U.K. property lending with disastrous consequences. It also became clear that while a consortia bank offered economies of scale there were disadvantages to be had in establishing an international bank with the owners drawn from a single country. If that country found

## Participants

Scandinavian banks can now operate in the Euromarkets from a Luxembourg base while individual Japanese banks have become important participants in their own right in the Eurocurrency market. Some banks such as Scandinavian Bank have built up enough business of their own so that they are no longer reliant on shareholders' largesse and have a life of their own. But for some of the others there must be a question mark over their future unless their shareholders can find a good use for them.

The second type of specialist consortia bank that has emerged over the past few years is the one with a particular regional bias in its business brief. But here too, it is hard to generalise—banks such as

UBAF and Saudi International Bank have a different mandate from banks such as Eurobank and Libra. The former tend to draw their shareholders from highly liquid countries in the Middle East and seek to top Europe's expertise rather than its money. By contrast the Latin American consortia have been set up to tap the international credit markets on behalf of countries such as Brazil and Mexico which need to borrow substantial sums of money over the next decade.

So far they seem to have been relatively successful. Inter-mex is a good case in point. Mexico has ambitious development plans which cannot be financed internally, but the Banco Nacional de México (Inter-mex's principal shareholder) could not hope to raise the money on its own in the international markets. For one thing it is not big enough and for another it is not experienced enough. However, by bringing in Union Bank of Switzerland, Dai-ichi Kangyo, Deutsche Bank and Bank of America as minority shareholders it has tied itself into an enviable pool of financial muscle and expertise.

Inevitably there are dangers in a bank specialising to such a great extent. If Mexico ran into financial difficulties Inter-mex would be out of a job and the high margin loans that the Latin American consortia banks are taking on their banks imply a higher degree of risks. Given

the calibre of their shareholders there is little danger that such banks would ever go to the wall — the worst that could happen would be that they would go into moribund and take on no more business.

At present, the bulk of the specialised consortia banks seem to be doing fairly well. The spate of new bank openings has virtually come to a halt but that is not through lack of enthusiasm for the concept — rather, it is that most international banks are now in the consortia bank of their choice. So far only one consortia bank has been established in London with a specialist industrial brief — the International Energy Bank. As its name implies it was set up to finance the energy industry but as yet has found few imitators. This could be because of the big U.S. banks which specialise in this field, such as Chase, Citibank and Morgan Guaranty, have all built up specialist departments of their own — it is far easier to hire specialist staff than influential shareholders. The Germans and the Scandinavians have well established consortia banks specialising in shipping finance, in Vienna there are joint venture banks for financing East-West trade and in Antwerp there is even a bank which specialises in diamond finance. But as yet the concept of the specialised industrial consortia bank is still in its infancy.

William Hall

## U.S. BANK REPRESENTATION IN LONDON

Bank	Share %	Branches	Specialist
Bank of America	72.4	● ● ●	Inter-mex, Eurobank, Iran Overseas
Chase	63.1	● ● ●	Libra
Wells Fargo	45.0	● ● ●	Orion
San Francisco	39.4	● ● ●	Iran Overseas
P. Morgan	27.9	● ● ●	Saudi Int.
Chemical	25.5	● ● ●	
Bank of Montreal	21.5	● ● ●	
London Trust	21.1	● ● ●	
First Chicago	19.7	● ● ●	Int. Comerci.
Western Bancorp	19.7	● ● ●	
U.S. Pacific	15.1	● ● ●	
Wells Fargo	12.7	● ● ●	
Marine Midland	10.6	● ● ●	
Rockwell	10.3	● ● ●	United Int.
Waller	10.0	● ● ●	Int. Comerci.

\* Stake in Morgan Grenfell. † Not fully authorised.  
Source: The Banker.

## U.S. policy

CONTINUED FROM PREVIOUS PAGE

bars ago the Federal Reserve Bank issued a policy statement on banks' joint ventures which decided to pull out of road. The gist of the statement was that the Fed would not support a much closer look at U.S. banks' plans to spread of activities by opening representative foreign consortia joint ventures. In considering applications to take a venture might need additional financial support and that support could be larger than the bank's original equity investment. The applicant's ability to meet any additional funds put upon it in the form of financial or managerial support also comes under scrutiny.

The Fed stated that its policy statement was "not intended to prohibit or discourage" new foreign joint ventures. It wanted only to clarify for all parties concerned the magnitude of the involvement. But U.S. banks' message and many of them have been re-evaluating the usefulness of their investments in consortia.

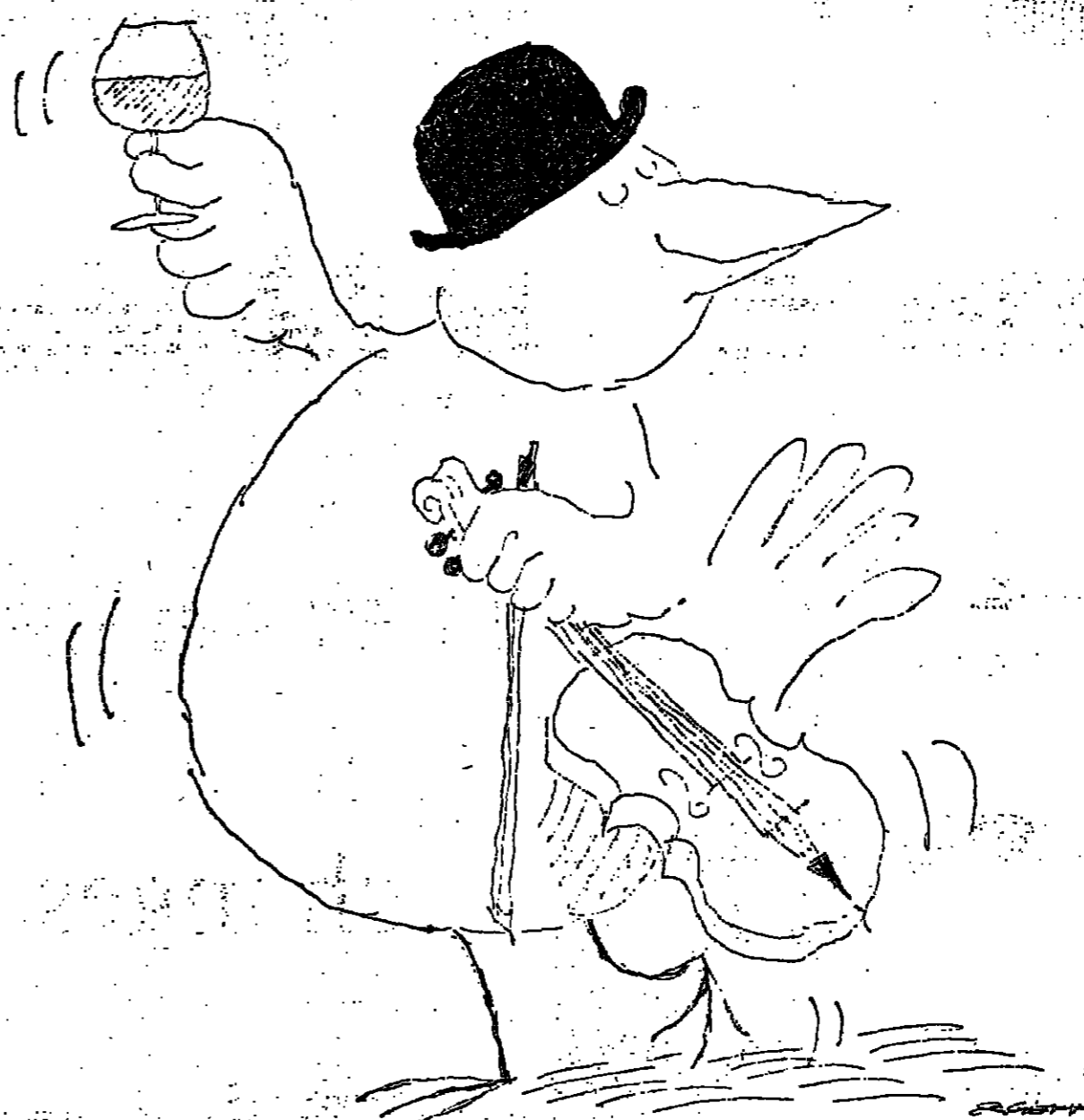
In the case of Wells Fargo, which decided to pull out of Western American, it already had a London merchant bank but it wanted to widen its spread of activities by opening a full London branch. When Wells Fargo had to take over some of its loan portfolio which adversely affected its own performance and although Western American is now in a much more profitable phase, Wells Fargo obviously preferred to operate independently. In future, if it makes a mistake, there will be no one to blame but itself.

Nowadays there is little commercial sense for a big U.S. bank owning a slice of a "run-of-the-mill" consortia bank. A year ago seven of the fifteen largest U.S. banks—all of which have assets of over \$10bn.—had stakes in medium-term Eurocurrency consortia banks. With the disappearance of Western American and London Multinational the number has dropped to four. Chase has a stake in Orion, First Chicago and Irving Trust own part of International Commercial Bank and California's Crocker Bank owns 10 per cent of United International Bank.

While there is no real reason why such banks should pull out of the consortia as long as they are getting a reasonable return on their investment, and there is no conflict of interest, it seems reasonably clear that if they were given the choice to participate to-morrow on a similar sort of consortium bank they would probably not bother.

The consortia banking concept is being treated very much as an experiment by the U.S. banks. The first generation of medium-term Eurocurrency consortia have outlived their usefulness for the big money centre banks—which have successfully developed their own in-house ability to syndicate and participate in the Eurocurrency markets. For some of the smaller U.S. banks, this type of consortia bank obviously still has a role to play, but for the bigger banks the real interest lies in the specialised consortia bank. Bank of America, Morgan Guaranty, Manufacturers Hanover, to name but a few, have stakes in a wide assortment of regional consortia banks. The parents can provide the financial muscle while the consortia banks can provide the specialist expertise.

William Hall



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# Soaking up the oil surplus

Among other international London merchant bank firms, consortium concerns with a Samuel, in which the U.S. strong Middle East flavour are concern, First City Bancorpora- European Arab Bank, which last tion, is also investing. year set up a branch in London and which has a wide range of

**Margaret Reid**

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\* The Eurocurrency business of London based consortium banks.  
\* Medium term deposits as a percentage of medium term loans.

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## MULTI-BANK CONSORTIA V



These people are attending the signing of the \$1bn loan for Nigeria in the Fishmonger's Hall, City of London, on January 16 this year.

# The complex tax question

THE TIME in May a very not be taken into account in important tax case will come calculating taxable profits, before the General Tax Commission otherwise it can. So in relation to money obtained on loan, whether or not in foreign currency, the distinction is essentially between loans providing temporary financial assistance and loans which, in effect, add to the capital base of the business. But, as an Inland Revenue discussion paper issued in October 1976 explained, though the principle is clear, the answer in any particular case turns on its own facts and in practice the borderline is often difficult to draw. "Some of the characteristics of borrowing or circulating capital account can be discerned from decided tax cases — loans for short and indefinite periods, loans taken as occasion requires and repaid as opportunity permits, interest calculated on a day to day basis. The use to which the money is put is a factor to be taken into consideration but it is not necessarily conclusive."

Several consortium banks have similar problems to those of Marine Midland. They have been operating in London partly through the use of so-called "ordinated foreign currency" — dollar loans provided by their main shareholders. The banks then lent this dollar money out in the same currency — thereby ensuring that sterling borrowings and investments were matched. Unfortunately the same is not the case when it comes to tax. There is a basic principle in British tax law and practice which says capital and revenue are treated differently. In computing taxable profits, that is revenue, the question whether a loss on a foreign currency loan is an allowable deduction is determined by the nature of the loan and whether it is to be properly regarded as capital or circulating capital. If it is fixed capital, the loss can

Gains Tax does not apply to exchange profits or losses arising on currency borrowings (which are regarded as on capital account) because the gains tax is designed to apply to assets, not liabilities. All borrowers of foreign currency are affected by these rules — consortium banks, merchant banks, North Sea oil companies, and ordinary manufacturing businesses. The pressure for a change in the tax position built up in the latter part of 1975 and during the run-up to the 1976 budget. Recognising that there was a problem, the Chancellor announced in his budget statement that the Inland Revenue would be examining the area in consultation with those most affected to see whether "some acceptable scheme for the extension of tax relief could be devised." The outcome was the discussion paper referred to earlier — one of the first ever to be published by the British tax authorities.

Unfortunately, a year later, in last year's budget statement Mr. Healey had this to say: "The arguments for general relief for exchange losses are finely balanced. There are major areas where the balance of argument would be against relief. In these areas there are real problems in distinguishing between different cases and in drawing lines between them. Moreover, although the recovery of sterling has reduced potential losses, the sums at stake are considerable. I have had to conclude that since this year there is an urgent need to concentrate on income tax reliefs. I cannot at the same time propose relief for exchange losses."

The scale of the tax which would be involved if there was

to be any general and retrospective relief for exchange losses was later estimated in a parliamentary answer at £15bn. Although it is not suggested that all this would arise in one year the amount equals the whole of the tax cuts — immediate and conditional — which Mr. Healey proposed in the same budget. Nothing like this amount of tax relates to the banking sector as a whole. Where does the big difference come from? The answer is not entirely clear but some tax accountants are suggesting the North Sea area is the place to look at.

What the Inland Revenue has done is to access the consortium banks on the appreciation, in sterling terms, of the value of their foreign currency circulating assets while ignoring — refusing to give counterbalancing relief in respect of — the equivalent loss the banks have suffered on their subordinated (fixed capital?) loans. But all the banks concerned seem to have had no difficulty getting Counsel opinions that they do not have to pay over the disputed tax. In the case of Marine Midland the opinion came from that distinguished member of the tax bar, Mr. Heyworth Talbot.

## Liabilities

On the basis of these opinions the banks affected have not even bothered to set up the disputed liabilities in their accounts, and such blue-blooded auditors as Price Waterhouse, Whinney Murray, Arthur Andersen and Thomson McLintock have not considered the risk sufficiently great to qualify their reports. What the banks have been doing, however, is to include fairly standardised statements about the problem in their accounts, some quantifying the amount of the disputed liability, others not. This note, taken from the 1976 accounts of UBAF Bank is typical:

"The Inland Revenue are contending that the increase over the year in the sterling equivalent on translation of the foreign currency assets financed by foreign currency subordinated loans is liable to be assessed to tax and that no relief should be given for the corresponding increase in the sterling equivalent on translation of the liability in respect of the foreign currency subordinated loans. This contention will be strongly resisted and accordingly it has not been considered necessary to include any amount in the taxation charge for the year in respect of any such tax liability. If the Inland Revenue were to succeed in establishing that such a tax liability existed, the additional tax payable for the year ended December 31, 1976 would be approximately £570,000 (1975—£400,000), giving a total liability of approximately £970,000 to date."

So there the matter rests. Marine Midland has been offered financial assistance by other banks to fight the case as far as the Lords, if necessary, but has refused. Everything depends on what happens at the General Commissioners in May. It is to be hoped that Marine Midland will not be reticent about sharing the decision, which is of course given in secret, with the rest of the banking and business community.

Mary Campbell

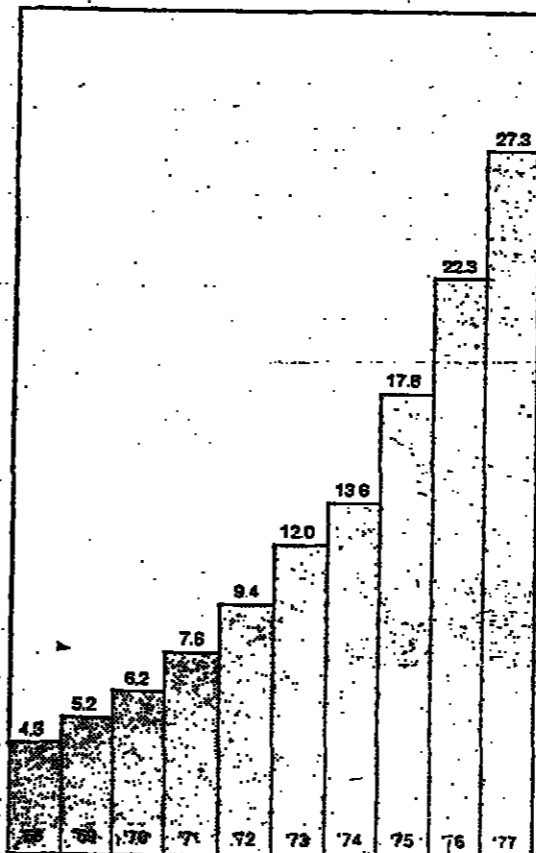
Michael Lafferty

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## Herstatt

CONTINUED FROM PREVIOUS PAGE

ember 1977 figures, had reduced only to just over 6 per cent. Their specialist area of medium term lending, the 1974, the consortium banks had a share of business has about \$640m, worth of medium term deposits on their books, but to 11 per cent, now, by November 1975, this figure is despite the fact that the sum term lending has been more important to them than it used to be: from 35 per cent of total loans in May 1974, to 46 per cent in November 1974. Even now, medium term lending accounts for over 50 per cent of their lending business.

The effect of the Herstatt on the maturity structure of the banks' balance sheets was to come through but has years—the change is even more the most permanent of all: striking. In May 1974, over 14 per cent of loans maturing in the line of the table which the extent to which the covered by deposits which fell into the same category: by over one year's maturity November 1974 this ratio had fallen to 11 per cent, and it is maturity. As the table shows, this ratio is very much lower than it used to be, and by comparison with the banks as a whole.

At the table does not show at the fall in this ratio entirely as a result of decline in medium term loans, it took some time enough short term assets to these longer term deposits, enable them, if necessary, to

to run off, but once gone they have, for whatever reason, continued to be replaced by shorter term deposits. In May 1974, the consortium banks had about \$640m, worth of medium term deposits on their books, but to 11 per cent, now, by November 1975, this figure is despite the fact that the sum term lending has been more important to them than it used to be: from 35 per cent of total loans in May 1974, to 46 per cent in November 1974. Even now, medium term lending accounts for over 50 per cent of their lending business.

The figures in the bottom line of the table are for deposits and loans which mature at any time after one year. If one looks at the position on the really long term business—deposits and loans which mature after three years—the change is even more striking. In May 1974, over 14 per cent of loans maturing in the line of the table which the extent to which the covered by deposits which fell into the same category: by over one year's maturity November 1974 this ratio had fallen to 11 per cent, and it is maturity. As the table shows, this ratio is very much lower than it used to be, and by comparison with the banks as a whole.

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repay all their very short-term deposits in the event of a run on deposits. A similar run taking place now would find them in the position of being unable to repay 25 per cent of their short term deposits unless they could attract new deposits to replace the ones being withdrawn. (These ratios assume certificates of deposit to be immediately realisable assets.)

What all this means is that the consortium banks are borrowing short and lending long to a degree probably unheard of in the history of banking. That this is not necessarily imprudent is due to the fact that they are effectively guaranteed by their parent banks. What it does mean, however, is that in the event of another money market crisis similar to that associated with Herstatt, banks with stakes in consortium banks may have to move in on a much larger scale than in 1974.

This increased risk. The degree of mismatching itself also raises questions about the profitability of the consortium banks. Given the guarantee, they have an advantage of flexibility in funding their loans which is not open to many banks, and which should enable them to make a higher than average return on assets.

## STOCK EXCHANGE REPORT

Equity markets make useful progress on small buying  
Share index improves 7.7 to 466.3—Golds unsettled again

## Account Dealing Dates

Option  
First Declara- Last Account  
Dealing Date Dealings Day  
Mar. 13 Mar. 30 Mar. 31 Apr. 11  
Apr. 3 Apr. 13 Apr. 14 Apr. 25  
Apr. 17 Apr. 27 Apr. 28 May 10

"New times" dealings may take place from 9.30 a.m. two business days earlier.

The underlying firmness of equity stock markets, which had been apparent on Monday but was unable to emerge clearly because of the paucity of business, came to the fore yesterday when a small demand for leading issues was only satisfied at enhanced prices.

The distinct turn for the better was attributed to Budget optimism, while the lower pound drew attention to companies with large overseas interests which should benefit from a lower exchange rate and a sympathetic response was also felt in the wake of the continued recovery on Wall Street. Earlier gains in the leaders were extended by a few pence or so in the late dealing.

The further improvement being helped by a favourable market interpretation of the Government's White Paper on the future use of resources from North Sea oil and news of the cease-fire in the Middle East. Up 5.4 at 3 p.m., the FT 30-share index further improved to close at 466.3, a best with a rise of 7.7 at 466.3.

Secondary issues were not completely overlooked, but the overall advance took place against a continuing low level of activity, the increase in marketings to 5,273 mainly reflecting an increased business in bed and breakfast deals.

Good features emerged in response to trading statements, while Stores were a particularly good sector on hopes of a fillip from any possible tax cuts in next month's Budget. The FT-Actuaries index of the sector rose 2.3 per cent to 182.36.

Gold shares remained unsettled, still on fears of U.S. Treasury bullion sales, but reflecting investment currency premium influences final quotations were no worse than mixed. The Gold Mines index eased 0.6 more to 141.3.

**Funds still quiet**  
British Funds proved to be susceptible and soft going, which had been achieved gradually during the official dealings, were surrendered on first sight of the Government's plans for North Sea oil revenue. A more detailed assessment of the White Paper, however, tended to lessen worries of its expansionary aspect and late in the evening a harder trend was developing again, following the Department of the Environment's report of a 6 month but the lower interest rate on upturn of new orders for the this week's batch of Local Industry, Richard Costain, 238p, Authority yearling bonds and Taylor Woodrow, 370p, encouraged a light buying interest, while John Laing A respectively 51 to

coupon long by J. Shorter maturities moved narrowly throughout and regained marginal losses of 1 in the after-hours trading. Corporations turned reactionary and a similar pattern was traced in Southern Rhodesian bonds which lost two points in places; the 21 per cent, 1985-70 issue closed that much down at 238.

Opening conditions in the investment currency market were volatile, owing mainly to book squaring and other technical operations, but the price gradually settled and a good two-way business ensued. After having risen to 851 per cent in the early trade, the premium closed with a fresh net gain of 11 points at 981 per cent. Yesterday's SE covered a factor was 0.6899 (0.7007).

## HK &amp; Shanghai-up again

Still reflecting its proposed move to acquire a major stake in Marine Midland, the 12th largest U.S. commercial bank, Hong Kong and Shanghai rose 3 more to 285p. Other foreign issues made progress helped by investment currency influence. Deutsche gained 21 points to 1113; and Algemeine put on 11 points to 1119. Compagnie Bancaire, again mirroring the strength of the Paris bourse, closed 3 points higher at 256. Home Banks attracted a bigger interest and closed firmer for choice. Barclays put on 3 to 210p and Bank of Scotland 281p. Hilti Purchases moved higher. Gains of 3 and 4 respectively were seen in Wagon Finance, 97p, and UDT, 41p.

Insurances improved with the general trend. Sun Alliance rose 10 to 330p and Guardian Royal Exchange gained 6 to 230p, while Commercial Union gained 4 at 133p. Among Brokers, C. T. Bowring improved 4 to 130p in front of the preliminary results, but C. E. Heath declined 5 to 265p on adverse comment.

Breweries closed at the best. Whitbread A hardened 2 to 87p following Press comment, while gains of similar nature were seen in Allied 91p, and Scottish and Newcastle, 66p. Bass Chartering were supported at 138p, up 3. Distillers also made progress. Distillers, 177p, and A. Bell, 230p, put on 3 and 4 respectively. The Environment's report of a 6 month but the lower interest rate on upturn of new orders for the this week's batch of Local Industry, Richard Costain, 238p, Authority yearling bonds and Taylor Woodrow, 370p, encouraged a light buying interest, while John Laing A respectively 51 to

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132p, and Marchwick 4 to 258p. Press mention lifted Wiggins Construction 3 to a new 197-78 peak of 27p and J. Smart formed a penny more to 46p for a similar reason. Crouch Group rose 3 to 71p on news that Teape White Property had acquired a stake in the company.

In Chemicals, ICI improved 9 to 338p, and Albright and Wilson closed 6 up at 120p, after 121p. Leading Stores made progress on hopes that any tax concessions at 196p and John Brown were 4

best of the day. Unilever led the advance with a rise of 12 to 496p, 8 more to 782p. Royal Dutch while Beecham ended with an improvement of 11 at 823p. Glaxo put on 3 to 335p and Rank Organisation were 6 to the good at 254p, following the annual report. Turner and Newall closed 5 dearer at 187p. Similar rises were seen in Pilkington Bros., 470p, and Reckitt and Coleman, 412p. Reed International failed to hold the day's premium closing better at 114p, after 115p. Elsewhere, following the abortive bid talks, dealings were resumed in Thomas Marshall Loxley A, which closed at 40p, after 45p, compared with 45p yesterday.

Trebled first-half earnings helped Talbot improve 11 to 244p, while Cope Allmann ended a penny dearer at 58p, after 58p, in reply to the interim results. Thomas Tilling improved 2 to 106p in front of today's annual figures. Aaronson added 4 at 61p at did J. William to 46p and James Warren firmed 5 to 67p.

Motors and Distributors attracted a better business than of late and closed with widespread gains. Rolls-Royce, at 81p, recouped the previous day's loss of 2 which followed vague talk of an impending closing issue, while small buying in a thin market raised Group Lotus 6 to 47p. Lucas Industries, which report interim figures on March 30, rose 5 to 270p. Substantially increased first-half profits took Armstrong Equipment up 2 to 631p, while Hynley, 121p, and Dunlop, 83p, put on 3 apiece. Investment and Associated Dealers 10 higher at 270p. Sainsbury improved 5 to 105p in Heron, while Lex Service closed 2 dearer at 72p and Appleyard 3 better at 82p. Tate of Leeds continued firmly, rising 2 more to 10p, after further confirmation of the recent results.

Enthusiasm for selected North Sea oil-orientated Newspapers waned on first sight of the Government's White Paper and Thomson, put on 10p to 210p, while the 3p higher on balance at 208p. Daily Mail A touched 250p briefly before closing unaltered at 278p. Elsewhere, Mills and Allen were sought after once more with fresh speculative support pushing them up to a fresh peak of 199p, before closing 9 better on balance at 199p. Wainwrights hardened 2 to 79p in reply to the results but higher interim profits failed to spur Capefels, which cheapened a penny to 41p.

Leading Properties traded down heavily, although the trend was less reflecting the sharp fall in both bullion and shares in overnight U.S. markets. As the metal price opened above the closing U.S. indications, however, cheap buying and bear closing produced scattered gains but these were pared, in most cases, towards the close. In the after hours trade modest U.S. support was reported, but

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# FINANCIAL TIMES

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## Rhodesian Executive holds first meeting

BY TONY HAWKINS

SALISBURY, March 21.

THE THREE black nationalist leaders who signed the internal settlement agreement with the Rhodesian Government on March 3 were today sworn in as members of the transitional Government's highest body, the Executive Council.

The transitional Government, which is to last until December 31, comprises the Executive Council and a Council of Ministers. The Executive Council members are Bishop Muzorewa, the Rev. Nkomo, and the Rev. Ntshangwe. Bishop Muzorewa, who is the first black member of the Executive Council, was sworn in by the Rev. Nkomo, who is the first black member of the Council of Ministers.

After the first 10-minute session of the Council today, Mr. Smith said that he had been drawn for the post of chairman, which is to rotate on a four-week basis. Mr. Smith is the first chairman, followed by Chief Chirau, then Rev. Ntshangwe, then Bishop Muzorewa.

Mr. Smith confirmed that the Ministerial Council, to be appointed by the Executive Council, would consist of an unspecified number of black and white Ministers, with parity between the races. He declined to say how many posts there would be, but confirmed that there would be two Ministers to each post.

Today's ceremony marks the beginning of the end for Mr. Smith. Legally he is still Prime Minister, but he is to be replaced by Chief Chirau, then Rev. Ntshangwe, then Bishop Muzorewa. Mr. Smith will be discouraged and he, along with the three black Ministers, will be referred to simply as a member of the Executive.

## Silkin wants U.K. to control cost of EEC farms policy

BY CHRISTOPHER PARKES

BRITAIN WOULD greatly reduce the net cost of its Common Market membership if it won control over the cost of operating the Common Agricultural Policy, Mr. John Silkin, Minister of Agriculture, told the Commons yesterday.

Earlier, he said that contrary to popular beliefs about "subsidies" paid by the Community on British food imports, the U.K.'s taxpayers had become "very largely the agricultural paymasters of Europe."

Opening a debate on CAP prices, Mr. Silkin based most of his comments on a recent report from the Cambridge Economic Policy Group which estimated the present cost of EEC membership to the British exchequer at £10m. a year and forecast an increase of £200m. at 1975 prices by 1980.

"Two-thirds of the cost to the U.K. arises from the money we pay to the Community budget," Mr. Silkin said.

"If we can get the cost of the CAP under control—and this means basically eliminating the structural surpluses—we can make a big reduction in our own net payment."

His main aim was to avoid "unjustified" price increases at the forthcoming farm price review. It was natural that the British Minister fought hardest each year to hold down the price increases since "excessive price levels" damaged U.K. interests more than those of other EEC members.

CAP prices affected the British economy in three important ways:

1. They governed the price of most foods and thus influenced counter-inflation, policy and living standards.

2. They affected the running costs of the farm policy to which the U.K. paid a major share through contributions to the Community budget.

3. "And they affect the cost of many of our imports and this in turn affects the balance of payments and our trading relations with other countries."

"We cannot therefore afford to let the price of food to rise to the point where it is no longer a luxury but a necessity," Mr. Silkin concluded.

He also stressed that he aimed to see the future of the British Milk Marketing Boards made secure. Mainstay of the dairy industry and the daily milk delivery system, the Boards have been declared illegal monopolies within the meaning of EEC treaties. The Commission has proposed changes which would make them legal, but other agricultural Ministers want to see them go.

Mr. Silkin relied on the evidence of a "calamitous drop" in liquid milk consumption over the past 12 years in countries without an effective distribution system: 38 per cent. in Germany, almost 50 per cent. in Holland and 40 per cent. in Denmark.

Although the talks had been aimed at smoothing the open conflict between Dublin and the Northern Ireland office over cross-border security, diplomatic tensions over the venue and agenda for the meeting had threatened to turn it into a confrontation.

The Irish Government has insisted that Mr. Mason should preside over the talks to include political and economic questions as well as security. However, British Government officials have

emphasised that the primary aim of the meeting that Mr. Mason requested is to tighten up security operations against the Provisional IRA along the border.

Continued from Page 1

**Oil**

for the National Enterprise Board especially aimed at helping small companies and at creating employment, and an expansion of selective aid schemes for industry.

In the Commons, Mr. Callaghan drew the broad lines of the political argument in prospect when he sternly contrasted the Government's broad approach with Mrs. Thatcher's statement that the major part of the oil revenues should go in tax cuts.

Mrs. Thatcher said: "We believe the lion's share should go in cuts in taxation so that the people will decide how they will spend or save their money. That will contribute to greater profits for British companies... If we get the profit, we will get the investment and if we get the investment we will get the jobs."

The Government's conclusions, outlined by Mr. Callaghan, were that benefits should be concentrated in four broad areas:

1. Investment in industry by guaranteeing general investment incentives, expanding selective assistance, supporting the National Enterprise Board and tackling the problems of Scotland and the assisted areas.

2. Increasing funds for energy conservation and for new energy investment, ready for the time when the flow of oil diminished.

3. Reductions in the level of personal taxation to increase the take-home pay and work incentives.

4. Improvements in essential services including communications, docks, and harbours; rebuilding in inner cities, and the development of training and retraining.

## No early start on emptying leaking tanker

BY MARK WEBSTER

BREST, March 21.

NO START can be made on emptying the crippled oil tanker Amoco Cadiz before the end of the week. Even that would depend on fine weather.

The first task of the Executive Council is to agree on the allocation of Cabinet posts in the transitional administration's two most immediate tasks are to try and secure a ceasefire in the war and obtain international recognition leading to the early lifting of sanctions.

The long-range weather forecast is predicting more gale force winds like those that last night whipped up 15 to 20 feet high waves around the tanker.

After last night's battering, the ship is said to be leaking considerably more of its remaining 100,000 tonnes of oil.

The French authorities have been assured that the company's insurers, the Protection and Indemnity Club in London, that full compensation—up to a possible maximum of \$30m.—would be paid for the cost of cleaning up the many miles of the Brittany coastline that have been spoilt.

Admiral Coullandres said that a second large oil hold may well have been punctured and that more severe weather would provoke another major spillage.

He also said that the ship could well split in two if the bad weather continued.

Already, the stern could be seen moving.

The French navy had ruled out the possibility of bombing the ship, as was tried with the Torrey Canyon 11 years ago, because of the danger of explosion.

A number of other possibilities had been considered, including burning the oil. That had been ruled out because it would take two to three months and the resulting smoke and fumes might cause severe damage to local agriculture and livestock.

The Admiral added that pumping the oil from the tanker was considered to be the only possibility. As no survey of the seabed in the area had been undertaken since 1977, some concerns will be necessary before a second tanker can be got alongside to off-load the oil.

The navy had dropped the idea of pumping the oil to the land because the pumps were not powerful enough to force it along two miles to the shore.

Report from Portlauric Page 2

Men and Matters Page 22

Report from Portlauric Page 2

Men and Matters Page 22

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Men and Matters Page 22

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Men and Matters Page 22

Report from Portlauric Page 2

Men and Matters Page 22

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## Steel delays 'threat to Welsh economy'

BY ROY HODSON AND ROBIN REEVES

POSTPONEMENT of the £55m. investment plans for the Port Talbot steelworks will have far-reaching consequences on the economy of Wales, Sir Melvyn Davies, chairman of the Welsh Council and a British Steel Corporation Board member, warned yesterday.

The Government statement on the future of the nationalised steel industry is to be made in the Commons today by Mr. Eric Varley, Industry Secretary.

The accompanying White Paper is believed to state that the Port Talbot scheme and other big new steel investment schemes cannot be justified because of the world steel crisis.

The Government is expected to support instead smaller investment schemes for the modernisation of plant to improve the quality of steelmaking.

Sir Melvyn's statement on Port Talbot emphasises that the British Steel Corporation Board is not united behind the Government's strategy to cut back both investment and job opportunities.

Sir Charles Villiers, chairman of the steel scheme, said that the company's board was divided on the issue of whether to invest in the plant or to close it down.

At present, Sir Charles is guaranteeing steelmaking at the plant until 1982. The new Government strategy is likely to make the future of Shotton even less certain, although Mr. Varley is not expected to include the plant in his statement.

Feature, Page 22

Feature, Page 22

Feature, Page 22

Feature, Page 22

Feature, Page 22

Feature, Page 22

Feature, Page 22

Feature, Page 22

Feature, Page 22

Feature, Page 22

Feature, Page 22

Feature, Page 22

Feature, Page 22

Feature, Page 22

Feature, Page 22

Feature, Page 22

Feature, Page 22

Feature, Page 22

Feature, Page 22

Feature, Page 22

Feature, Page 22

Feature, Page 22

Feature, Page 22

Feature, Page 22

Feature, Page 22

Feature, Page 22

## North Sea impact on investment

THE LEX COLUMN

The gold price fell by another \$24 per oz. yesterday and now stands \$13 below its 1978 peak which it touched a fortnight ago.

The defeat of the French Left in the recent general election and rumours that the U.S. authorities might start selling gold once again have unnerved the speculative element in the market.

North Sea

The market reacted favourably to the White Paper on North Sea oil in late trading yesterday, though there is little to get a grip on. So far as can be seen, the Treasury is not significantly revising its forecasts of revenue for the mid-1980s (when royalties and taxes should reach nearly £40m. at 1977 prices) although Wood Mackenzie, for instance, has been reducing its estimates for the more immediate future.

For the City, one key point is the continued rejection on any relaxation of outward pressure on sterling. Another is that the Government plans to step up its activities in the private sector, justifying this with the claim that the capital market needs to be supplemented by selective intervention—where the risks are high and worth taking or where the payoff is long term. But the White Paper also recognises the basic need to push up returns on investment generally.

Hoechst

After Monday's news that Montedison's losses had jumped from under £40m. to well over £300m. in 1977, yesterday's results for Hoechst AG—the parent of the world's biggest chemical company—look surprisingly good on the surface.

Since the fourth quarter of 1976 Hoechst's profits have been declining, but in the final quarter of last year Hoechst AG's profits rose by 17 per cent. with the result that full year profits only fell from DM786m. to DM691m.—just 12 per cent.

This compares with a 10.5 per cent. drop in profits at ICI and an earnings decline of 8 per cent. at Dow Chemical for calendar 1977.

However, Hoechst's apparent improvement in the fourth quarter is all due to extraordinary factors and there was little change in the disappointing

Weir Group

The Weir Group has performed as expected with pre-tax profits for 1977 up 21 per cent. at £9.1m., against a half-year gain of 35 per cent. to £4.5m.

In the second six months growth was less than 10 per cent. The outstanding feature of the figures is the 76 per cent. jump in desalination plant sales, reflecting the impact of the first of Weir's three Middle East contracts. The second should go through mainly in 1978, and the third by 1979. But although desalination sales

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now account for over a quarter of group sales contribution to trading the profit is only 71 per cent. So Weir appears to be pursuing a very conservative accounting policy despite its claim to be following SSAP 9.

In the other divisions, engineering showed the best results with a one-third gain in profits despite a small decline in volume. On the other hand, foundries and engineering supplies suffered a 5 per cent. profit decline due to further losses on the latter.

In the balance sheet, gearing has apparently not altered much. But if all outstanding lease commitments—say £5.7m.—are included net borrowings probably come out in excess of 75 per cent. of shareholders' funds. On a fully taxed p/e of 5.4 and a yield of just over 6 the shares are valued about average for the sector.

London Sumatra

McLeod-Sinclair is likely to play for time in the aftermath of yesterday's fact-packed defence document from London Sumatra, so the offer will probably be extended this morning.

Although the 110p cash terms stand no chance of success, the crucial element in the document is, of course, the valuation placed on the Indonesian estates of a startling £300m. On this basis the total net worth of LS is almost £43m., or 270p a share.

But the defence has also disclosed a substantial amount of new information in answer to McLeod-Sinclair's numerous specific questions: it turns out, for instance, that LS paid fees of £387,000 to Harrisons and Crossfield in 1977. Moreover the bidders have to assess London Sumatra's 1977 profits of £7.5m. pre-tax, of which £6.2m. has arisen in Indonesia.

The Indonesian valuations pose various theoretical questions. A basis of seven times expected average profits less a one-third discount gives a precise result (to a ludicrously small figure) but in reality there are no yardsticks, such as recent large land sales, to justify the estimate, while there are big obstacles to remitting funds from Indonesia. Meanwhile LS has accepted that the relationship with H & C needs to be further considered, and the outcome could be the appointment of an independent director to the Board.

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## Weather

RAIN followed by showers, with intervals of sun. London Area, S.E., N.E. and E. England, E. Anglia. Rain, then sunny intervals with showers. Max. 7-8C (45-46F).

Cent. Southern, Cent. Northern and N.W. England, Midlands, Channel Is. Showers and sunny intervals.

**BUSINESS CENTRES**

Max. 8-9C (46-48F). S.W. England, Wales, Isle of Man, N. Ireland. Showers, strong winds. Max. 8-9C (46-48F).

S.W. and N.W. Scotland, Glasgow Area, Argyll. Rain then showers. Strong winds. Max. 7C (45F).

Borders, Edinburgh, Dundee and Aberdeen areas, Cent. Highlands. Morning, Firth, N.E. Scotland, Moray, Shetlands. Rain then showers. Strong winds. Max. 5-7C (41-45F).

Outlook: Frequent showers. Rather cold.

**HOLIDAY RESORTS**

Max. 8-9C (46-48F). S.W. England, Wales, Isle of Man, N. Ireland. Showers, strong winds. Max. 8-9C (46-48F).